UNEMPLOYMENT INSURANCE IN GERMANY

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UNEMPLOYMENT INSURANCE IN GERMANY

BY

MOLLIE RAY CARROLL

UNIVERSITY COLLEGE
NOTTINGHAM

WASHINGTON, D. C.
THE BROOKINGS INSTITUTION
1929

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Set up and printed
Published June, 1929

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Printed in the United States of America by
The Lord Baltimore Press, Baltimore, Md.

DIRECTOR'S PREFACE

The past two decades have witnessed a radical change in the public attitude toward unemployment. The view widely held in the past that the unemployed are themselves to blame for not having jobs, and that all who really wanted work could find it if they tried hard enough, has long been discarded. The accepted view today is that unemployment is primarily a problem of industrial organization and not one of individual character.

The recognition of these facts has led several European states to provide machinery for taking care of the involuntarily unemployed. Great Britain was the first to create such an insurance system on a national scale. Since 1911, the important British industries have had insurance against unemployment. As amended in 1920, the British scheme brought into the insurance system virtually all persons employed under contract of the age of 16 and upwards.

The tremendous problem of making provision for millions of unemployed and the recognition of the fact that, whether an insurance system prevailed or not, it was necessary for the welfare of the state that the jobless worker be taken care of, led the German government to make several experiments along the line of unemployment relief during the years subsequent to the Treaty of Versailles. From 1919 to 1927, every possible expedient was made use of which might relieve the many workers who were suffering from unemployment. The experiments during this period resulted, in 1927, in the passage of an unemployment insurance law.

Recognizing the importance of the German Unemployment Insurance Law of 1927, the Guggenheim Foundation granted the author of this volume a fellowship which made possible a first hand study of the organization and administration of the newly created insurance system. The results of this investigation are incorporated in the following pages. The significance of the problem and its bearing upon the work of the Institute of Economics has led the Institute to include this study among its publications. Although the volume is not a cooperative institutional product in the sense that all its other publications are, its organization and form have nevertheless been supervised by two members of the staff.

HAROLD G. MOULTON,
Director.

Institute of Economics,
May, 1929.

AUTHOR'S ACKNOWLEDGMENTS

Acknowledgment of special indebtedness for assistance in this study is made to the John Simon Guggenheim Memorial Foundation, which granted a fellowship permitting the author to devote a year in Germany to the problem.

Dr. Oskar Weigert, head of Section IV of the German Ministry of Labor which deals with unemployment matters, and chief author of the present law, gave personal assistance and access to the resources of the Ministry. Other technical experts in the Ministry generously placed their information at the writer's disposal. Officials of the General Federation of German Trade Unions and of employers' associations in Berlin and representatives of labor and employers in Geneva, Switzerland, assisted. Dr. Robert R. Kuczynski suggested clues and contacts. Dr. Ruth Weiland of the German Red Cross interpreted social situations related to the unemployment problem. The staff of the Institute of Economics, particularly Harold G. Moulton, Isador Lubin, and Lewis L. Lorwin, made invaluable suggestions and aided in the final presentation of the work. While those who have offered help have been numerous and their aid has been gladly accepted and utilized, the writer must take responsibility for the point of view.

MOLLIE RAY CARROLL.

Baltimore, Md.,
May, 1929.

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PART I

EARLIER EXPERIMENTS

UNEMPLOYMENT INSURANCE IN GERMANY

INTRODUCTION

Unemployment was viewed until very recently as the personal concern of the individual who had lost his position. As late as the first decade of this century, public effort to assist persons out of work was limited to the activities of trade unions, of charitable agencies, or of local governments. Attempts at control were spasmodic. Organized endeavors to meet unemployment were devoted to the relief of the most serious distress arising in its wake. Even such attempts were mainly confined to periods of industrial crises. Lack of work was accepted as a more or less inevitable, though disagreeable, aspect of modern industry which the worker had to endure. A national program to cope with unemployment originated first in England only a short time before the war.[1]

The very extent of unemployment since the war has impressed nations with the necessity of sustained effort to reduce its volume and to mitigate its effects. In Germany, for example, it has been impossible to disregard conditions which have caused the numbers of assisted unemployed to exceed one million upon four different occasions within the decade following the war. The British situation has been even worse. Although its population is but little more than two-thirds that of Germany, and its workers number only eleven millions, it has maintained a steady level of over a million unemployed. In the United States the amount of idleness arising from lack of work is not definitely known, but the estimates run into several millions for the years 1921 and 1927.

Attempts to reduce unemployment or to mitigate its effects have taken many forms. Local and national employment exchanges have been created to facilitate placement of workers. Public works have been timed to provide employment at crucial periods. Unemployment assistance in the shape of relief or insurance has been provided by charitable agencies, industrial groups, or the state. Measures to stabilize industry have been promoted in the hope of regularization of employment.

[1] In 1911.

Out of these efforts has come a realization of the difference between unemployment and other insurable ills. The latter usually fall upon isolated individuals who are incapacitated. Unemployment is mainly a mass phenomenon. Moreover, although the number of unemployed may remain high, it may comprise different individuals at different times. Some persons may be idle for a long time, but the group may represent a shifting mass of people who are out of work for a few weeks or months. The fact that the duration of unemployment is comparatively brief does not, however, imply an ability to meet its costs. The margin of savings may be insufficient to maintain workers, who are without wages, according to any acceptable standards of comfort.

Experience in combating the effects of unemployment has led to differentiation of types according to their cause. One clearly defined form is that which recurs regularly, namely, seasonal unemployment. A second type is cyclical, arising from trade fluctations. A third results from fundamental structural changes in production processes or in the market. These modifications may be caused by technological changes in production, alteration in fashions, over-expansion of an industry, or apparently permanent loss of markets. A fourth kind of unemployment is created by industrial disputes. A fifth may be attributed to causes of a personal nature. They may include ignorance of the labor market, inadequate or ill-directed training, or individual limitations of physique, mentality, or character.

Seasonal and cyclical unemployment have given rise to two main lines of effort at control. Experiment in the United States has been directed toward stabilization of industry and support of private insurance by either employers, trade unions, or both. Though highly significant, these measures are limited to a few plants and to a small number of workers. They are of more importance from the experimental standpoint than for their present effect upon unemployment. German and English attempts to meet these types of unemployment, though including efforts to discover or create work, have relied mainly on insurance.[2]

[2] That their insurance is in no sense of the word a "dole" cannot be overemphasized. Aid to the unemployed immediately after the war was granted by these two countries out of public funds, since to allow ex-soldiers and war workers to starve was unthinkable and highly inexpedient politically. The English system, however, has been supported since 1922 by employer, worker, and the government. At present the state pays six pence to the eight pence and seven pence contributions of the other two. The German method of support is described in this book.

Unemployment arising from fundamental structural changes in industry, and from certain personal limitations, calls for skill in placement, vocational counsel, and trade training or reëducation. For some of the victims of industrial change no substitute work can be found. For all of these types of unemployment, public works may afford not merely a stop-gap, but assistance in returning the worker to a regular position. Provision for persons unemployed as a direct consequence of industrial disputes appears to fall within the province of the trade union or the charitable agency.

German experience has shown that insurance cannot care for all who are unemployed. There are risks which the system cannot carry without endangering the funds or increasing the contributions to an unbearable degree. Inasmuch as the other forms of German social insurance cost about 12 per cent of the total wages bill, there are definite limits to the added burden that unemployment insurance can impose upon industry. Unemployment insurance, however, is forced to carry as many cases of persons out of work as possible because of the oppressive cost of poor relief. As long as one person in every 25 of the urban population must apply to public charity and one-third of the budget of the cities goes to poor relief, there is little extra money in the public treasury for indigence arising from unemployment.

Germany's poverty and the insistent needs of her masses of unemployed have forced her to work out an economical scheme of unemployment assistance. Under it she must make good her promise to carry the unemployed person for 26 weeks if need be. She must provide placement service and vocational counsel. She must initiate or encourage public works. She must administer emergency unemployment relief. She has had to adopt a pragmatic attitude toward the development of unemployment assistance. She has borrowed and adapted from other countries and has learned through her own experimentation.

The resulting highly successful legislation is not suggested as a pattern for America to copy. On the contrary, it shows that sound enactment must be in keeping with a nation's history, social point of view, and peculiar needs. Understanding of the causes of the different measures, and the results which have obtained in Germany, should be of assistance to other nations in their experiments in unemployment relief.

CHAPTER I

PRE-WAR EXPERIENCE

Attempts to assist unemployed persons may be found in Germany as far back as the early part of the nineteenth century. At that time handicraftsmen in search of work were frequently granted relief in the form of travel allowances to enable them to take positions in other localities. When the trade unions were organized in 1848 they adopted the scheme of travel allowances, giving it prominence in their programs. They limited unemployment assistance to this form of aid until 1879, when the Printers' Union introduced a scheme of unemployment donations.

The early trade unions established aid to the unemployed mainly to prevent the disfranchisement of their members attendant upon acceptance of poor relief. They also saw in unemployment assistance a means for bettering the condition of the worker and of increasing their own strength and membership. Though usually no special funds were set aside for unemployment, it was treated as a problem quite distinct from lack of work caused by sickness or industrial disputes.[1] Members, however, had no legal claim to unemployment assistance.

During the nineties and the first decade of the present century there arose a lively interest in trade union unemployment benefits. In 1894, fifteen out of forty central bodies provided such aid. Two years later a Congress of the "Free Trade Unions" voted in favor of granting assistance to unemployed members. From that time on, adoption of the policy was rapid. Expansion continued until the outbreak of the war. In the decade between 1903 and 1913, expenditures made for unemployment assistance by the "Free Trade Unions" rose from 1,270,000 marks or about $320,000, to 11,532,000 marks or nearly $3,000,000, a nine-fold increase. Some of the clerical workers had previously established regular insurance funds. The commercial clerks had developed their system to such a high degree that their funds were placed under imperial supervision and the members were legally entitled to benefits.

[1] Fifty-two weeks of membership in the organization was usually prerequisite to receipt of aid. A waiting period was fixed and the amount of benefits was set. Travel allowances were generally granted for the worker, his family, and his household goods, when he had offer of employment elsewhere.

In addition to the trade unions, consumers' coöperatives sought to give special assistance to their unemployed members. Among these, the Hamburg Coöperative Society had the most successful history. It allowed its members credit on their purchases of prime necessities when out of work.[2]

Several employers, too, organized unemployment insurance funds. The Carl Zeiss Foundation in Jena, the Heinrich Lanz factory in Mannheim, Cornelius Heyl in Worms, and the margerine factory of A. L. Mohr in Altona, were notable cases. Private societies were also established for the purpose of insuring against unemployment. They were, however, few in number, small in membership, and short-lived. The results of the efforts of private societies, employers, and consumers' coöperatives were, for the most part, negligible.

Unemployment relief systems developed and operated by local public authorities assumed considerable importance before the war. They were significant as forerunners of federal measures. They proved to be of experimental value in the subsequent development of principles and methods of unemployment insurance.

Two main types of state insurance were evolved: (a) that in which the state administered the fund and assumed the financial responsibility, and (b) that in which the trade union administered the fund with a state subsidy. The Cologne System with its numerous variations represents the former type, while the latter is called the Ghent System from the city of its origin.

(a) The Cologne System. The first attempt to establish unemployment insurance on the part of a German city was made in Cologne in 1894. A fund was created to provide insurance against winter unemployment only. The city, employers, and "patrons" contributed. The chief purpose was to aid workers in the building trades. In practice, as first established, the fund attracted the unskilled and unorganized. It represented a "pooling of bad risks." In 1911 it was reorganized. Supplementary insurance for trade unionists, not limited to winter unemployment, was added and contributions were graded according to the hazards of unemployment. Leipzig, in 1903, established a somewhat similar fund. This city, however, worked out a careful classification of risks with a corresponding increase in the rate of benefits to those who rarely called upon the fund. It made receipt of benefit con-

[2] The organization had over 41,000 members in 1909. Of these, some 15,000 persons had established credit totaling over half a million marks.

ditional upon willingness to accept work similar to the applicant's regular employment.

(b) The Ghent System. The Ghent System was widely imitated.[3] The first German city to follow it was Strassburg, where the plan was started in 1907. Following Strassburg, Freiburg, Berlin-Schöneberg, and other places installed the Ghent System. These two cities made special provisions for unorganized workers by encouraging savings accounts to be used in case of unemployment. Mainz and Munich set aside funds but did not require corresponding payments on the part of the beneficiaries. The assistance was in the nature of relief rather than insurance. They also provided employment by means of public works.

Progress in the development of unemployment measures was neither uniform nor uncontested. From many quarters strong opposition arose to both public aid and public subsidy.[4] Unemployment insurance existed, therefore, in relatively few cities,[5] where it served a comparatively small number of people.

The whole subject became a topic of political agitation and legislative deliberation.[6] Local political units generally believed their interests to be too diverse to be met by uniform federal legislation. Trade unions urged the establishment of the Ghent system. Employers were pre-

[3] Under the Ghent System, trade unions granting unemployment assistance to their members received a subsidy from the municipal treasury in proportion to the benefits which they gave. Trade union unemployment insurance without subsidy from public funds suffered from two great shortcomings. The benefits granted were small, and yet they added such a heavy burden to the union treasury that many labor organizations were unable to assume the responsibility of their payment. The purpose of the Ghent System was to increase the amount of trade union benefits without added cost to the wage earner, and to stimulate labor organizations to establish unemployment insurance.

[4] The Cologne System was considered by the Socialists and trade unionists as charity and as interference with trade union matters. It was feared by others on the ground that it attracted only bad risks. It experienced financial difficulties. "Patrons" did not continue to pay into the funds established. Cities did not grant sufficient amounts to meet the demands made upon them. Benefits did not keep pace with rising prices.

The Ghent System was accused of discrimination because it tended to strengthen trade unions while doing little for the unorganized.

[5] Other cities besides those mentioned that offered unemployment assistance were Erlangen, Mülhausen i. E., Schwäbisch-Gmünd, Mannheim, Kaiserslautern, Stuttgart, Esslingen, Schiltigheim, Bischheim, Illkirch-Grafenstaden, Freiburg i. B., Augsburg, Heidelberg, Offenbach, Feuerbach, Friederichshaide b. Ronneburg, Eupen, Passau, and Aschaffenburg.

[6] Political party agitation for a federal unemployment insurance system had begun as early as 1895.

ponderatingly opposed to all types of public unemployment insurance. The Association of German Employment Exchanges declared unanimously for compulsory insurance whose costs were to be borne by employer, employee, state, and locality.[7] It urged the coördination of the employment service and of unemployment insurance. The Reichstag passed a resolution [8] for careful investigation of the whole problem. From the publication of an extensive report on the subject in 1906 to the outbreak of the war nothing specific was done, but opinion was turning toward federal unemployment insurance.

During the pre-war period certain principles and policies which profoundly modified subsequent legislation emerged from the scattered, individual experiments. Experience with the Ghent and the independent public unemployment systems caused increasing appreciation of the latter. Its limitations, however, when locally administered, were becoming obvious. The relative merits of relief and unemployment had their advocates. Leipzig showed that offer of work was the surest test of the involuntary character of unemployment. This city, too, classified risks and set a premium upon continuity of employment through differentiation of rates of benefit.

At the beginning of the war a sharp increase in unemployment strained union resources and called forth a series of public relief measures. Shortly thereafter all energy was turned toward the conflict and unemployment became almost negligible. Particular trades, however, experienced serious lack of work, even during the height of the war period, and required special aid. The textile and the shoe industries suffered. Shortage of coal during the latter half of the war limited industrial operations, and federal assistance was required for those thrown out of work in consequence. Aid given in these special cases was usually not typical poor relief. Part of the burden was carried by the employers, and rates of assistance were higher than those granted to paupers. The partially employed received special help.

The necessities of the war led to national effort and to more widespread acceptance of federal unemployment measures. This tendency was crystallized in 1918 and was given legal foundation by the labor section of the Weimar constitution. The post-war unemployment insurance program was limited almost entirely to federal measures.

The same problems that created unemployment assistance in the pre-war period gave rise to the employment exchanges. The placement

[7] This stand had first been taken in 1902.
[8] In 1902.

service, like unemployment insurance, originated locally. The non-fee exchanges were first established by those charged with administration of the poor law. Dresden opened the first employment office in 1840. Other cities followed shortly. Stuttgart first separated placement from charitable aid. In 1895 this city organized an employment service independent of poor relief. Its example was soon copied by others. Later small local offices began to unite into city or district exchanges with a consequent standardization of practice and more wide-spread service. In many parts of Germany the placement service was organized upon state-wide lines. Specialization followed coördination and unification. Offices were opened to handle particular trades, occupations, or industries. Administration was given over more and more to equipartisan committees representing employers, workers, and the public. In 1913, out of about 500 public exchanges in Germany, approximately one-third were so managed.

During the last decade of the nineteenth and the first of the twentieth century, private, non-fee employment agencies also experienced rapid growth.[9] Employers' associations developed placement services to supply man-power, and to control the labor market for the occupations in which they were interested. Those engaged in the small trades and in handwork maintained placement offices which assumed many of the characteristics of the old guild system. In agriculture exchanges were organized to better working conditions and to meet the special problems introduced by foreign, seasonal farm-labor. These various types of employers' exchanges were most active in 1908 and 1909.

Employment offices established by labor organizations existed side by side with those of the employers. The greatest weakness of their placement service, however, lay in the fact that at the very time of depression, when the workers applied to their exchange in the greatest numbers, the employers did not make use of the facilities it offered. Placement offices supported and managed by both employer and worker were also created during this period. The brewing and printing industries were especially active in establishing joint exchanges. Various private organizations also developed non-fee agencies as a form of public service. The Protestant and the Roman Catholic denominations established exchanges. The women's organizations did the same in order to facilitate the placement of women. Private fee agencies had existed previous to these public or charitable agencies. Their activities

[9] For an account of the development of employment exchanges in Germany see Graack, Erdmann, *Die Arbeitsvermittlung in Deutschland,* 1926.

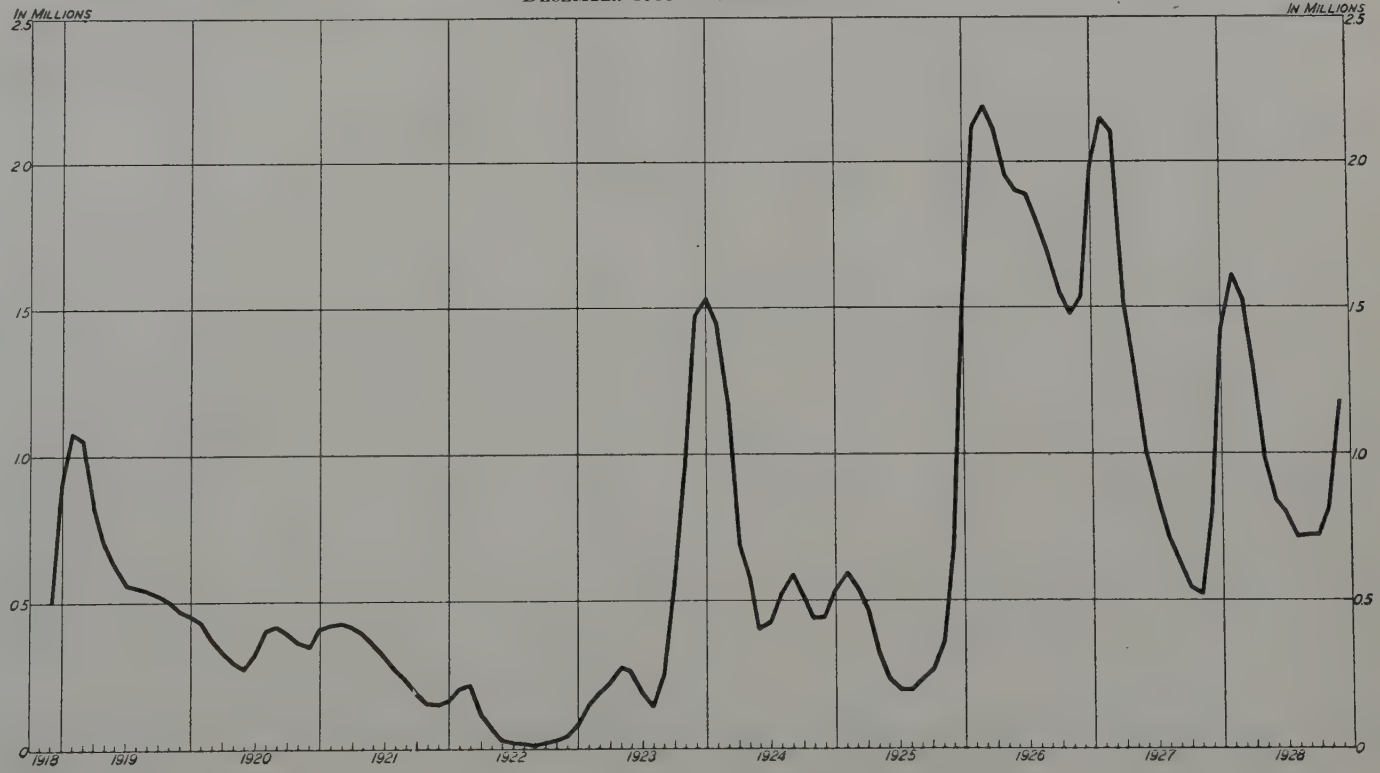
had been carefully restricted by police regulations as early as the 1860's. In 1910 a federal law strictly controlling fee placement was passed.[10]

In spite of the establishment of these private fee and non-fee agencies, the public exchanges grew in importance. The trend toward centralization and specialization of services continued. In most cases organization was local, however. Practices varied widely, and coördination between localities was frequently lacking. During the war the local public exchanges were pressed into service by the federal government.

Vocational guidance, which later became linked with placement, found its German beginnings in the early years of the twentieth century. It originated in the women's movement where advice concerning opportunities, requisite qualifications, and openings was given in order to assist women in finding positions. Shortly thereafter the skilled trades made similar efforts, because the development of large industries and the resulting decrease in the number of persons seeking apprenticeship training caused them to fear for the future. Vocational guidance developed sporadically before the close of the war. By 1918, the major elements of a system of aid to the unemployed, comprising benefits, placement, and vocational guidance, had been established in Germany. The two former were generally viewed as requiring national control.

[10] *Stellenvermittlergesetz* of June 2, 1910. *Reichsgesetzblatt,* 860. It was so soundly drawn that its provisions were made the basis of the orders relating to such agencies issued for carrying out the terms of the Employment Exchanges and Unemployment Law of 1927.

Unemployed Persons Assisted Through National Unemployment Relief or Insurance, or Employed on Public Works, December 1918–December 1928.



CHAPTER II

POST-WAR EXPERIENCE

The return of six million soldiers to civil life upon the termination of the war created a gigantic unemployment problem.[1] Many war workers suddenly found themselves without work. Industry had to pass through the reorganization consequent upon readjustment to peace-time production. There was no program to meet the situation. Germany had contemplated gradual dispersion of the army and of civilian war workers at the conclusion of the conflict, and economic policies had been shaped to that end. The call for immediate demobilization arising from the outcome of the war and the terms of the Peace Treaty altered these plans. The country was filled with soldiers and discharged war workers, radical and without economic opportunity. Hundreds of thousands of the soldiers had been exposed to communist propaganda, and Germany's very geographical nearness to Russia resulted in widespread popular knowledge of events in that country. This factor, added to the disillusionment following the war, led to a spirit of widespread political unrest.

The situation was intensified by the reduction of territory. By the Treaty of Versailles the area of Germany was reduced 13.05 per cent, to say nothing of her colonial losses. The population of about 6.5 million living in the ceded areas returned in large numbers to the Fatherland and tried to make a living there. The normal growth of German population, it is true, had been checked during the war, through loss of men and through decrease in the birth rate. Two million Germans had been killed. Three-quarters of a million had died in the hunger blockade of 1918. Three million fewer children had been born. The shrinkage in numbers somewhat offset the migration of people from the ceded territories. However, the proportion of men in their prime to women and aged was appreciably decreased. The percentage of handicapped adult males was augmented. All problems incident to the redistribution of population arose.

[1] Over 700,000 of these were regulars, discharged upon the reduction of the standing army and long unaccustomed to industrial life.

Out of the seething unrest of its people came the German Republic. A new democratic constitution was written in Weimar in August, 1919. The entire political structure was reorganized and the balance of political power shifted to the workers and ex-soldiers. Yet the revolution was remarkably orderly, considering the changes that were wrought. The new Republic was, naturally, sympathetic to the needs of those out of work in consequence of the war. Financial assistance had to be given them. Moreover, it had to be undertaken by the Reich in order to compel lagging local authorities to meet their responsibilities and to assist communities overburdened with the problem of relief.

It was impossible to treat returned soldiers who could not find work as though they were recipients of alms when they were given assistance instead of a job. To disfranchise them as paupers was unthinkable.[2] Therefore Germany turned to a system of nation-wide unemployment relief. Those receiving unemployment assistance early in 1919 are known to have numbered more than a million a month. The government also urged employers to coöperate in meeting the problem, and for a time it even required them to take on or to retain workers and regulated the terms under which persons could be discharged.

After the first quarter of 1919 the employment situation improved steadily. The number of persons receiving unemployment assistance declined until in 1922 it was negligible. However, during this period Germany experienced a slowly rising inflation of the currency. This process assumed such fantastic proportions in 1923 that occurrences of those brief months sound like a nightmare. People rushed out of the factory, wages in hand, to buy supplies before the mark should fall to a new low level. Store-keepers closed their shops to keep from selling goods for money that a few hours later would be worth but a fraction of its momentarily quoted value.[3]

Throughout inflation there was comparatively little unemployment. During 1922 and most of 1923, wages were so low, reckoned in the ever-falling value of the mark, that insignificant labor costs offered an incentive to produce. Where they had foreign markets, German manufacturers could compete at ridiculously low prices. Even in the home market there was brisk demand. The constantly falling value of the

[2] Protection from such disfranchisement was offered by the universal suffrage clause of the Weimar constitution and by the Federal Public Welfare Law of 1924.

[3] A single street car fare that in 1920 cost 20 pfennig (and in 1927 the same in reichspfennig) during November, 1923, rose in price from two billion to ninety billion marks.

mark offered people incentive to spend immediately all the money they could lay hands on. The production that resulted, however, frequently offered delusive gains. Cost accounting and calculation of profits or losses was almost impossible because of the constantly shifting money quotations. During the entire period of inflation the scale of unemployment benefits increased but could not keep pace with the shrinking value of the mark.

Stabilization was, in some respects, a more shattering experience than inflation. It occurred suddenly, within a few days. Inflation had encouraged buying. When deflation came the people had goods but no money. Savings were wiped out. A new class of persons utterly without resources was created among those who had previously been holders of considerable wealth.[4] The internal market for goods vanished. As a result, many firms went bankrupt. Even those that had not overexpanded during inflation were hard hit. Money was scarce, even in large establishments. Unemployment increased rapidly. Among the first persons to be laid off were the "Nullenschreiber," or cipher writers, the army of clerks who had been employed solely for the purpose of calculating wages, prices, and costs in terms of the depreciating currency. In addition, persons who had lost their savings or independent incomes, and recipients of pensions that had become worthless with the reorganization of the currency, attempted to find jobs, swelling the excess labor supply.

As a result of the changes wrought by stabilization, about 1,500,000 persons had to be aided through unemployment assistance in the early months of 1924. They did not represent all of those who were out of work. Early in the year over two million were seeking jobs at the employment exchanges. One-third of the members of the trade unions were without employment and two-fifths were working part-time. To meet the bare necessities of living for these people required an enormous outlay for unemployment relief just when the government was having difficulties in adjusting its own budget to the newly stabilized currency. In consequence, Germany attempted to require employers to give notice before laying off help, emphasized "productive unemployment relief," and sought a new basis for financing unemployment assistance.

[4] A not unusual case is that of a person with a quarter of a million marks invested in the "safest securities for widows and orphans," who received therefor, after stabilization, one-tenth of one rentenpfennig, or 1/2,500,000 of its original worth.

Recovery from stabilization was fairly rapid, but other economic factors caused difficulty. The burden of reparations payments limited government funds available for general purposes and hindered the country's economic revival.[5] Foreign markets were restricted by the high tariff barriers of other nations. Thus the disposal of many goods was limited to the home market, just at the time when the buying power of the population was very low. These factors added to the industrial uncertainty and retarded the opening of new avenues of employment. By the spring of 1924 business had recovered to an amazing degree. From then until the early fall of 1925 conditions were good. The rate of unemployment was comparatively low. The monthly figures of persons in receipt of unemployment assistance oscillated around half a million for nearly a year and then dropped to about 200,000 in the summer of 1925. Then came the severe crisis of 1922. The causes of this depression were said to be the unknown forces creating fluctuations in the business cycle, the tardy elimination of mushroom businesses that had sprung up during the inflation period, and "rationalization." The latter movement was somewhat like our scientific management. It included technical reorganization of industry, consolidation, concentration, and an attempt at national and even international planning.

"Rationalization" proceeded at a rapid pace. Its onset occurred simultaneously with the downward swing of the business cycle. It was almost bound to increase unemployment, at least temporarily, since it involved replacement of men by machinery and of wasteful processes by more efficient methods. It was, therefore, directly opposed to the policy of dilution of labor, which is often considered the temporary remedy for unemployment.

During the early part of 1926 the number of unemployed persons in receipt of relief in a month exceeded 2 million. This meant one in every thirty of the population. Two and one-half million persons sought work at the employment exchanges.[6] More than one-fifth of the members of the trade unions were unemployed and another fifth were working part-time. To meet their needs the German government augmented its program of "productive unemployment relief," utilized its placement service to the utmost, distributed unemployment assistance, and began to design a permanent program to meet the problem. The plan was

[5] Moulton, H. G., and McGuire, C. E., *Germany's Capacity to Pay* (Publications of The Institute of Economics, Washington), 1923, pp. 246-248.

[6] The Institute for the Study of Trade Fluctuations (*Institut für Konjunkturforschung*) estimates a loss of 4 billion marks, or 1 billion dollars, in workers' incomes through unemployment during that year.

shaped toward securing work for the unemployed, as far as possible, and financial assistance for those for whom it could not provide employment.

Recovery from the depression of 1926 was marked. Better conditions seem to have been caused by "rationalization," by the British coal strike that created demand for German coal, and perhaps by the program of "productive unemployment relief." To what extent these factors caused the change it is impossible to say. At any rate, the curve of unemployment fell. It rose sharply again during the winter of 1926-27, but not to the peak of the previous year. Then it fell abruptly in the summer of 1927, to rise again even higher than in 1926 with the advent of the winter of 1928-29.

The regularly recurring winter unemployment was a factor in Germany's problem throughout the entire post-war period. The trades suffering most from seasonal unemployment were the outdoor occupations, especially building, mining, quarrying, and agriculture. In the building trades, for example, three times as many persons customarily applied for work at the public employment offices monthly during December and January as during the months from April to October. In the stone, clay, earthenware, and pottery industries, employment declined earlier and also more rapidly. These trades began to rally in January. In agriculture the peak of employment was from March to August. At the latter date there was a decrease in the demand for women workers, though the curve of employment of men maintained its high level until October. While not so sharply affected by weather conditions as these outdoor trades, indoor occupations showed something of the same seasonal variations, the most marked examples being found in the textile and clothing industries.

The post-war tendency of industry to centralize in particular communities also influenced the rate of unemployment. A locality devoted entirely to mining or to the making of steel, clothing, or other commodities suffered from lack of diversification, and its inhabitants were dependent for their living upon the fortunes of that industry. The too common result was paralysis of a community in the event of the closing down of the one industry. This situation was met to some extent by the district and national scope of the placement and the vocational guidance services. Their activities were limited, however, until 1927.

The size of Germany's problem, during the nine post-war years, forced her to provide a national system of relief for the unemployed. Local and trade union schemes were unable to cope with the situation. The

burden of relief given to vast numbers of unemployed directed attention to methods of finding work for those whose need arose from lack of a job. Employers were called upon to coöperate by keeping their factories running; they were, for a short time, even forbidden to shut down; but they could not long produce at a loss. Work, therefore, had to be provided through state measures designed to bring men and available jobs together or to create positions for the unemployed. When this was impossible, financial assistance had to be given.

Out of the experience of these years three types of procedure developed. The immediate and pressing financial needs of the unemployed were met and funds were created for the purpose. Every effort was made, however, to give people work, and, in consequence, a nation-wide placement system grew up. When all efforts to find people employment upon regular industrial enterprises failed, public works were inaugurated wherever possible. The efforts to make these methods work comprise the history of German post-war unemployment assistance.

CHAPTER III

FEDERAL UNEMPLOYMENT RELIEF

The task of meeting the dire necessities of the unemployed demobilized soldiers and war workers fell to the Federal Office for Economic Demobilization. Created on November 12, 1918, to guide German economic life into peace channels, this Office on the second day of its existence passed an order regulating unemployment relief.[1]

The order took effect immediately and was expected to remain in force for not more than one year.[2] It required the communes to grant unemployment benefits to persons who were able and willing to work but who were necessitous because of unemployment resulting from the war.[3] Aid was to be granted only to those willing to accept any suitable tasks assigned to them,[4] even if such tasks were outside their former trade or place of residence.[5] Where no work could be found, rates of relief were left to the discretion of the communes.[6] Funds for the purpose were contributed by the federal government, the states, and the municipalities.[7] Administration was placed in the hands of special

[1] *Reichsgesetzblatt*, p. 1305. For text of this order see Kuczynski, Robert R., *Post-war Labor Conditions in Germany*, U. S. Bureau of Labor Statistics, *Bulletin* No. 380, pp. 148-149.

[2] This order and its modifications were extended from time to time, until 1924. The Federal Office for Economic Demobilization, however, was dissolved on May 1, 1919, orders governing unemployment, from that time on, being issued by the continuing Demobilization Commissioner and Committee. These later came under the jurisdiction of the Minister of Labor.

[3] Eligibility was to be limited to persons over 14 years of age. Unemployment relief to minors could be made conditional upon attendance upon school or vocational training courses. Women were to receive assistance only if dependent for a livelihood upon their own exertions. Persons whose former supporters had returned home able to work were not to be considered as unemployed. Part-time workers were included within the scope of the order.

[4] Definition of suitability included the customary wage rates of the community, work that was not injurious to health, lodging that was not morally objectionable, and, for married men, sufficient income to maintain the family. It covered partial employment also.

[5] Especially could such work be recommended if it occurred in a locality where the person had worked or had lived before the war.

[6] A waiting period was allowable for all except ex-soldiers, but was limited to one week.

[7] In the proportion of one-half, one-third, and one-sixth respectively. Where towns or districts found it difficult to pay their part, the federal government was empowered to increase its share of support.

committees, upon which employers and workers were equally represented.[8]

Scarcely were the orders put into operation when they required modification.[9] The discretion left the communities concerning the rates of relief caused trouble. Workers flocked to places offering the most generous terms of aid. To meet the situation supplementary orders to protect these communities and to restrict relief were issued.[10] These orders fixed maximum daily rates of benefit. They attempted also to recognize variations in cost of living in different sections by setting up four locality classifications.[11] Within each of the four classes rates were set according to age and sex.[12] The worker was not allowed to profit from lack of work, however, and relief was not permitted to exceed one and one-half times the local wage.[13] Additional sums were allowed to

[8] In case a trade union was already paying its members unemployment benefits, it was allowed to administer the public unemployment relief granted them. It was required, however, to give evidence of ability to conform to the standards set by the administrative committee.

[9] One change enabled the former employer to distribute aid in the form of food and lodging in cases where board had previously constituted part of the wages. The town was then to reimburse the employer at a rate to be fixed in advance. Another order more strictly defined relief allowable to the partially unemployed. If 70 per cent of their weekly earnings did not equal the sum granted for total unemployment, they were to be assisted. Wages and relief combined, however, were not to exceed regular, full-time earnings. A further modification permitted maintenance of the unemployed person's membership in the health insurance fund or special care for him in case of sickness.

[10] They set a maximum of four weeks to relief granted by a district or town to which a person had moved during or after the war. The rule was to apply irrespective of opportunity for work. More rigid stipulations were made covering refusal of work.

[11] Based upon groupings already established for granting housing allowances to government employees. People in Class A received the highest, and those in Class D the lowest, rates.

[12] The maximum daily rates of unemployment relief which were fixed by the order of January 15, 1919, are given below, in marks, according to locality of residence (*Reichsgesetzblatt*, p 82):

Sex and Age of Beneficiary	A	B	C	D
Males:				
Over 21	6.00	5.00	4.00	3.50
Over 16, through 21	4.25	3.50	3.00	2.50
Over 14, through 16	2.50	2.25	2.00	1.75
Females:				
Over 21	3.50	3.00	2.50	2.25
Over 16, through 21	2.50	2.25	2.00	1.75
Over 14, through 16	2.00	1.75	1.75	1.50

[13] It was to be calculated on the basis of a six-day week only.

persons with family dependents.[14] Other orders were later issued with great frequency.[15]

The increase of unemployment in the winter of 1919-20 shifted emphasis from relief to provision of work. Regulations limiting the hiring and discharge of workers were issued to employers. Unemployment caused by strike or lockout was specifically excluded from assistance. "Productive unemployment relief" was introduced and emphasized. The relief committees for the unemployed were required to coöperate with the employment exchanges in order to facilitate the finding of positions for recipients of aid,[16] and rates were somewhat increased.[17] The changes, however, did not meet the threefold advance in cost of living that had occurred within the year.

Further orders issued in January of 1920 empowered the localities to provide a special additional winter relief to the unemployed.[18]

[14] The order of January 15, 1919, fixed maximum daily supplementary family unemployment allowances, in marks, as follows (*Reichsgesetzblatt*, p. 82):

Persons for Whom Granted	A	B	C	D
Wife	1.50	1.50	1.25	1.00
Child or other dependent	1.00	1.00	1.00	.75

[15] A person offered employment in another locality was given free transportation there as part of unemployment assistance. If necessary, money to move his family and household goods was given him, but the grant was not to exceed the cost of railway transportation to the new place of residence. Family dependents were more strictly defined than in the earlier order. Further attempt was made to prevent unemployed persons from flocking to the localities offering the most generous assistance. Transient unemployed workers after four weeks of aid were required to return to the place where they had lived before the outbreak of the war, and that locality was obliged to assist them. However, in case a person had established a household in the new place he was allowed to remain. If people could get along on less than the usual grant, partial assistance was given. In districts where the unemployed suffered from marked discrepancy between the cost of living and the relief rates, the authorities were permitted to increase the assistance up to but not beyond the amount granted to persons in Class A localities.

[16] Only persons over 16 years of age were considered unemployed. Necessitous condition was more clearly defined. Contributions received by the unemployed from funds other than unemployment relief or as a result of their own foresight were to be calculated at two-thirds of their amount in determining necessity. Income from savings, however, was to be reckoned at full value. Reciprocity was granted nationals of other lands which included German citizens in their provision for unemployment donations.

[17] For all except men over 21, who had previously been the most favored. Additional family allowances were raised slightly, but such allowances plus unemployment donations were not permitted to exceed two and one-half times the amount receivable by the unemployed person alone.

[18] It was restricted to those over 18 years of age who had been out of work for at least 60 days between November 1, 1919, and March 31, 1920. Granted specifically to persons in locality classes A and B, it could be extended to

In the spring of 1920 new rules were passed, one limiting receipt of relief to 26 weeks. If "unreasonable hardship" followed withdrawal of aid, however, assistance could be extended another six months.[19]

The succession of orders arose from the pressure of the needs of the unemployed and from the government's financial incapacity to meet the situation. Benefits were low and limitations upon receipt of relief were set as rigidly as possible. Yet the force of necessity served continually to push the rates upward. Thought was turning toward a system of insurance.

In May, 1920, the Ministry of Labor, upon request, drew up a new plan for unemployment assistance. The scheme proposed embodied insurance rather than relief principles. Benefits varying according to locality classification, age, and sex were proposed. Administration was to be local. The scope was to be nearly identical with that of the health insurance law.[20] Seasonal workers were to receive different treatment from other laborers. Funds were to be secured in a different manner from existing practice. One-third of the sum needed was to be contributed by employers, one-third by workers, and one-sixth each by the federal government and the local political units.[21] The proposed scheme was never adopted, however. The unemployed continued to be cared for by orders issued by the Commissioner for Economic Demobilization.[22] The slow inflation of the currency caused constant revision of the rates, but assistance was meagre.

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those in the two lower groupings. The total additional monthly amount, to be paid once a month, was permitted to equal four times the sum allowable for one day.

These same orders more carefully restricted those to be considered dependents. Persons needed to carry on the affairs of the household were included. Persons, irrespective of age, who, previous to the wave of unemployment, had been supported by the member of the family claiming out-of-work benefit, were to be classed as dependent and not to be aided separately. This measure was taken because additional grants for dependents were less than benefits to the unemployed. The status of the separated wife and children and of illegitimate, step, and adopted children was more clearly set forth.

[19] An attempt was again made to define more clearly ability and willingness to work in order to avoid impostures. Contributions received by the unemployed from funds other than unemployment relief or as a result of their own foresight were to be calculated at one-half rather than at two-thirds their value in determination of necessitous condition. Rates of relief were again raised.

[20] See footnote 26, on pp. 23, 25.

[21] Provision was made for building up a reserve and for a federal equalization fund to assist localities suffering from particularly severe unemployment. Calculation of rates of contribution necessary to assure such a project was made.

[22] See footnote 2, p. 19.

I. The Difficulties of the Inflation Period

The rapid inflation of the currency in 1923 resulted in a procession of orders raising the rates of unemployment benefits. However, they never sufficed to meet the rapidly increasing cost of living. It became necessary to simplify procedure, if assistance was not to lag too far behind barest needs. The Minister of Labor was empowered to set new rates.[23] Still it was utterly impossible to maintain unemployment relief rates that were adequate to meet the bare necessities of life. The rates actually granted during this period, as shown in the table on page 24, rose from a maximum of 600 marks daily to the adult male in the highest locality class, a sum just 100 times as great as the allowance made on January 15, 1919 to 780,000,000,000 marks daily on December 10, 1923.[24] On December 10, 1923, the four localities were further subdivided into three districts each, so that twelve different ratings resulted.

The number of unemployed persons during the height of the inflation period was comparatively slight. The strain on the public budget, however, of payment of the gigantic sums required for modest relief for even these few people was almost unbearable. By the fall of 1923 the number of persons out of work mounted rapidly. It remained high far into 1924. The overwhelming volume of unemployment in the last quarter of 1923 compelled the maintenance of out-of-work benefits to be shifted to employers and workers. Since the employment exchanges were intimately concerned they also received support from the same sources. An order was, therefore, issued, by virtue of the Emergency Powers Act of October, 1923,[25] covering employees who were compulsorily insured in the federal health insurance system or in a miners' sickness fund.[26] They and their employers were required to

[23] In consultation with the Minister of Finance and with the approval of the Reichstag.

[24] How inadequate even these fantastic sums were to meet the needs of subsistence during the height of the inflation period may be appreciated by reference to the table on cost of living in Berlin at this time, given in Kuczynski, Robert R., *Post-war Living Conditions in Germany*, pp. 155-156. Prices in the city, to be sure, were probably higher than in the smaller towns and in the country.

[25] *Reichsgesetzblatt* I, pp. 943, 984.

[26] Health insurance is the oldest form of German social insurance. It was first established by law in 1883. Today the national administration of health insurance represents a fusion of five different earlier forms, established according to locality or industrial classification. Into the national fund the miners' sickness insurance, formerly organized along state lines, has been

RAPID INCREASE IN UNEMPLOYMENT RELIEF RATES, JANUARY 15, 1919–NOVEMBER 8, 1926 [a]

(In marks)

Period Beginning	Range of Daily Rates Granted Adult Males in Localities [b]	Period Beginning	Range of Daily Rates Granted Adult Males in Localities
	D to A		D to A
1919: Jan. 15	3.50— 6.00	1923: Oct. 29	16.8[d]— 21
1920: Apr. 30	5.00— 8.00	Nov. 5	108[d] — 135
Nov. 1	7.00— 10.00	Nov. 12	330[d] — 420
1921: Aug. 1	8.25— 12.00	Nov. 19	630[d] — 780
Dec. 5	11.25— 15.00	Dec. 10	
1922: Feb. 13	12.50— 18.50	District I	490[d] — 610
Aug. 14	18.75— 28.00	District II	550[d] — 700
Nov. 20	100 — 140	District III	630[d] — 780
Dec. 25	255 — 360	1924: May 5	
1923: Jan. 15	425 — 600	District I	0.60[e]—0.75
Jan. 29	510 — 720	District II	0.66— .84
Feb. 12	1,200 — 1,500	District III	0.72— .90
Apr. 16	1,950 — 2,400	Aug. 11	
May 14	2,600 — 3,200	District I	0.72— .90
June 4	3,950 — 5,000	District II	0.79—1.00
June 25	7,100 — 9,000	District III	0.86—1.10
July 9	12,800 — 16,200	Dec. 15	
July 18	16,100 — 20,000	District I	0.79—1.00
July 30	27,000 — 33,000	District II	0.91—1.15
Aug. 6	72,000 — 90,000	District III	1.01—1.25
Aug. 8	180,000 — 225,000	1925: Feb. 9	
Aug. 15	530,000 — 650,000	District I	0.91—1.15
Aug. 22	820,000 —1,000,000	District II	1.08—1.35
Aug. 29	1,290,000 —1,570,000	District III	1.15—1.45
Sept. 5	2,000,000 —2,450,000	Dec. 14	
Sept. 12	6,000,000 —7,500,000	District I	1.11—1.38
Sept. 19	17[c] — 21.5	District II	1.32 1.62
Sept. 26	33[c] — 42	District III	1.41—1.74
Oct. 3	48[c] — 60	1926: Nov. 8	
Oct. 10	135[c] — 165	District I	1.28 1.75
Oct. 15	960[c] — 1,200	District II	1.52—2.05
Oct. 22	8.4[d]— 10.5	District III	1.62—2.20

[a] *Reichsarbeitsblatt*, February, 1919–November, 1923.

[b] Rates granted to single persons only are given. Toward the end of the inflation period sex distinction in grant of aid was abandoned. Additional sums allotted for family dependents showed a rate of change corresponding to that of standard benefits.

[c] Millions.

[d] Billions.

[e] At this time the rentenmark was introduced at the pre-war value of the mark and the currency has since remained practically stable.

contribute equally to unemployment relief funds.[27] The amount so secured was designed to cover four-fifths of the cost of maintaining unemployment relief and the public employment exchanges. The remaining fifth was to be provided by the localities. In cases of particular need, arising from an unusually large amount of unemployment, the federal government and the states were to make supplementary grants.[28] As far as possible receipt of aid was to be conditional upon performance of work.

These orders altered the entire basis of support of the scheme of unemployment assistance. The federal government and the states were relieved of the financial burden except for cases of emergency.[29] The employment exchanges were included in the operating expenses of the system. Control of unemployment relief began to shift from the local government to the exchanges. The trend toward functional rather than geographical administration was facilitated by the provision empowering towns to unite to form joint risks associations. Finally,

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incorporated only since 1923. The seamen's separate system has been included only since 1927. The local or industrial groups still collect the compulsory contributions and pay the benefits.

Following health insurance, accident insurance was established in the years 1884 to 1887. Invalidity and old age insurance came in 1889. A special organization to administer invalidity and old age insurance for salaried employees was created in 1911. Between 1883 and 1911 details of the system of social insurance were perfected and a codification of the laws and rules was enacted into the Social Insurance Law of 1911. The four types of insurance, however, remained separate.

In all of these forms of insurance the aim is twofold. Benefits are paid. Measures are also promoted to prevent or terminate the situation creating need for insurance. The problem is not viewed from the standpoint of the insured worker alone. His wife and children also receive aid by virtue of his payments into the fund. For example, maternity care is provided for wives of insured members as well as for women workers who belong to the fund. The public health and the safety movements are promoted by the insurance systems. Major emphasis in all German social insurance is laid upon prevention.

[27] The sums to be paid were to be fixed for a locality by the executive committee of the public employment exchange for that area. They were to be set as a fraction, not to exceed 20 per cent, of the health insurance levy. They were to be collected as a supplement to the health insurance payments and at the same time.

[28] By unanimous consent of the villages or towns, the areas of two or more public employment exchanges were to be permitted to combine to form joint risk associations for the provision of funds. The chairman of the public employment exchange was given power to decide concerning applications for benefit.

[29] These emergencies continued, however, throughout 1923 and 1924 and required fairly heavy contributions.

the requirement that, so far as possible, receipt of aid be conditional upon performance of work focused attention upon the program of public works.

II. Stabilization and the Orders of 1924

With stabilization came a codification of previous rules and amendments in the orders of February 16, 1924. Employers and workers were required to pay eight-ninths of the cost of unemployment relief and two-thirds of the charges for maintenance of the employment exchanges.[30] Contributions were to be scaled in proportion to wages.[31] They were not, however, to exceed 3 per cent of the wages, except by special order of the Minister of Labor. Payments were to be made through the health insurance funds, and were to be forwarded immediately to the administrative committee of the state labor exchanges. The remaining outlay for unemployment relief and for the exchanges was to be borne by the local governments. If expenditures for unemployment relief exceeded the maximum contributions exacted from employers, workers, and localities for two weeks, the federal government and the states were to render financial aid.

The conditions for receipt of aid remained practically the same as before. However, only those who had been employed three months within the previous twelve were eligible to benefits.[32] Also the extension of benefits beyond 26 weeks to prevent "unreasonable hardship" was reduced to three months.

The compulsory contributions were opposed by employers and workers since relief was granted only to those in necessitous condition. Payment of contributions entitled the worker to no legal claim upon the fund. Moreover, when he received such aid its amount bore no relation to his payments, except in so far as the local cost-of-living classification corresponded to local differences in wage rates.[33] Dissatis-

[30] Rather than four-fifths of both, as provided by the orders of October, 1923.

[31] Rather than in relation to payments to the health insurance fund, as provided by the orders of October, 1923.

[32] This clause was inserted as a transition measure looking toward a future unemployment insurance law.

[33] Agricultural workers, for example, who were for the most part exempt from obligation of payment to the insurance fund, were, under certain circumstances, entitled to relief. On the other hand, juveniles under 16 and persons not necessitous when unemployed received no aid, though they had been required to make regular payments to the fund while working. Also individuals in the same age, sex, and locality classification received the same scale of benefits when unemployed, though their previous contributions, based upon wages, might have been markedly different.

faction, too, increased over the attempts to define necessitous condition. Insufficient attention was given to the partially employed worker.

Administrative difficulties also arose. Special prominence and power were given to the state labor exchanges. In consequence a problem whose national extent was recognized was left to the non-uniform, decentralized methods of state control. The local employment exchanges were limited in their powers of supervision and control. At the same time the jurisdictions of the Reich and the states overlapped. It was difficult to build up a federal fund to meet emergencies or to work out a federal program. The decree was frankly recognized as a transition expedient, effected by the financial conditions resulting from inflation.[34]

Further modifying orders were passed from time to time,[35] especially during the severe unemployment crisis of 1926.[36] In November of that year a special form of aid, called emergency unemployment allowances, was created. It extended out-of-work benefits beyond the 52 weeks for which unemployment relief had been granted by executive orders.[37] The cost of the emergency allowances was not to be assumed by the regular

[34] It did, however, eliminate the need for the continuing Committee on Demobilization. The work of that Committee was incorporated into the machinery for enforcement of the new orders on March 25, 1924.

[35] Rates of relief were several times raised. An executive decree of April 25, 1924, permitted unemployment allowances to those out of work to be paid partly or wholly in kind. An order of November 14, 1924, enumerated occupations exempted from compulsory contributions. Agricultural workers whose wages were regularly supplemented by the tilling of a certain amount of land for their own profit, fishermen on a profit-sharing system, and workers employed on a contract of at least two years' duration, had previously been exempted. To this list were added domestic servants and apprentices with written contracts extending for two years. Exemption from contributions did not entirely exclude workers from receipt of unemployment relief, however, any more than payment of compulsory contributions gave anyone legal claim to assistance. Necessitous circumstances arising from unemployment due to war causes remained the test. Another order required the communes to pay a certain proportion of the contributions they received into a federal equalization fund. This was to be used as a reserve for business depression or a subsidy to localities that were burdened because of especially bad conditions of employment. The reserve was expected to provide for payment of unemployment donations to 400,000 persons for a period of three months.

[36] By order of March 1, 1926, the partially employed worker was to receive one, two, or three days' unemployment allowance for weeks in which he lost three, four, or five days of work, respectively. An order of October, 1926, extended the maximum period of possible receipt of unemployment relief from 39 to 52 weeks.

[37] Such extension of aid was to be valid only until March 31, 1927, though it was later extended.

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funds but by the federal government and the communes in the proportion of three to one, respectively.

The widely varying interpretations of proof of necessitous condition gave rise to an attempt to unify the differing practices of local authorities. Such a program, however, demanded fundamental changes in the entire scheme of unemployment relief. Definition of types of income to be taken into consideration in determination of necessitous condition was attempted but was unsatisfactory. The troublesome matter of classification of dependents and of rules for their treatment was slightly remedied. Dependents, as defined by the unemployment relief provisions, often left home in order to escape the rules that included them in calculation of the family allowance. Family discord frequently arose over interpretations of dependence. The causes of friction were not removed by the new orders. The decree also sought unsuccessfully to meet the problems of those whose long continued unemployment had resulted in lapse of claim to other forms of social insurance.

III. Looking Toward a New Law

All these difficulties caused a request that the Ministry of Labor draft a comprehensive and adequate measure for unemployment relief. The task was turned over to experts in the Ministry which had been working on the problem since 1919. A group of these experts in preparation for their task, went to England to make an intensive, six months' study of unemployment insurance there. Then they drafted a preliminary bill. It was submitted to the representative body of the German states (*Reichsrat*), the Federal Economic Council (*Reichswirtschaftsrat*), and the Parliament (*Reichstag*). Each of these bodies sent the bill back to the Ministry of Labor with suggested alterations. The first plan was re-drafted many times, so that the final form represented considerable modification from the one first submitted.

The issues to be settled in working out a more or less permanent and stable form of unemployment assistance concerned the question of insurance versus relief, the financial plan for support of the system and for payment of benefits, the type of administration, and the relationship to the employment exchanges. As to the first issue, that of insurance versus relief, public opinion had long favored the former. Only the necessities of the post-inflation period had prevented its earlier adoption.[38] It was also generally taken for granted that the burden of

[38] It was almost universally accepted, too, that compulsory, nation-wide insurance should be endorsed rather than the Ghent system.

support of the system should rest wholly with employers and workers and that payments should be scaled according to wage rates.

It was much more difficult to decide upon the amounts and the methods of payment. Two plans were proposed: (a) a flat rate based on cost of living and following the existing scheme of locality classification; and (b) benefits proportional to wages received immediately prior to unemployment. The former method had the force of experience behind it, having been in vogue since the inauguration of federal measures. Also it was the English plan. The latter, however, was generally recognized as superior for a genuine scheme of insurance. Nevertheless, weighty arguments were advanced against the wages classification method. Some people thought that it would greatly increase expenditures. Opposing employers said that it would deduct so much from wages as to destroy incentive to work. Certain government officials expressed the misgiving that too great burdens would be laid upon the public budget. Dissenting labor groups, on the other hand, feared reduction of benefits to many of the lower paid workers. Statistical evidence on the matter was entirely lacking. Everyone agreed that a wage classification system, if adopted, must be drawn with exceeding care.

An investigation was therefore made of those who were actually in receipt of relief on July 2, 1926.[39] Of the 1,594,300 persons giving information, 1,276,319, or 80 per cent, were men; and 317,981, or 20 per cent, were women. Of the former, 45 per cent were without dependents. Eighty-nine per cent of the women had no additional family allowances.[40]

Of these 1,594,300 people, nearly one person in twenty had been earning less than twelve marks (about $3.00) a week. About 13 per cent had been receiving less than $4.50 weekly. Over 60 per cent had been paid less than $9.00 a week. Indeed, almost two-thirds of the women had been getting less than $6.00 a week. During the periods of unemployment these people had been receiving unemployment donations amounting to as little as $1.65 weekly in some localities. The most favorable rate to a single adult was $2.60. The additional allow-

[39] The investigation sought to ascertain the amounts of benefits received by all individuals drawing unemployment relief on that day and also their wages received just previous to loss of the job. Of the 1,740,754 recipients of unemployment relief on that day, statistically usable reports were secured from 1,594,300.

[40] *Erste Ergebnisse der Erhebung in der Erwerbslosenfürsorge vom* 2 Juli, 1926. *Beilage zum* No. 40, *Reichsarbeitsblatt,* 1926, p. 3.

ances granted for wife and other dependents together ranged from $0.99 to $1.50 weekly. It is evident from these figures that unemployment donations were often far below wages. As many as 31 per cent of these people had been receiving in unemployment relief an amount equal to less than 30 per cent of their former earnings. Sixty-one per cent were getting between 30 and 70 per cent of their previous wages. Less than 4 per cent received between 70 and 90 per cent of what they had been earning. Only 2.83 per cent got something nearly equal to their former remuneration. Of this 2.83 per cent, over three-fourths had been paid wages of less than $3.00 a week. The larger benefits in proportion to previous wages were mostly received by the lower wage groups. Calculations showed that if recipients for relief on that day had received assistance based upon wage rates instead of minimum necessities of living, about 75 per cent of the men and 35 per cent of the women would have profited by the change, while 22 per cent of the men and 64 per cent of the women would have received less than they were getting. The better paid two-thirds of the recipients of relief would have found relief based upon wage rates to their advantage, while the lowest third would have been worse off. It was also estimated that the expenses of administration of a system based upon wage rates would be about 9 per cent greater than under the existing method.[41]

However, since the locality classification system could not conform to the methods of a strict insurance system, it had to be abandoned in the change from relief to insurance. The advantages which it gave to the more poorly paid workers offered no argument for its retention. The real remedy for their problems lay in better wages. The unemployment insurance system was not expected to offset all the ills of industrial life.

From the angle of administration of unemployment insurance the question arose as to its relationship to the system of social insurance and to the employment exchange. The plan presented in the pre-

[41] The study had certain limitations. The inquiry took place in the middle of summer, when the more poorly paid agricultural workers were practically all at work. Also, since those unemployed on that date had been idle from one to 39 weeks or even longer, their last weekly wage had not been earned during the same time. Possible difference in wage rates arising from more or less favorable conditions in industry may have appeared, especially since 1925 had been a period of good business, while 1926 had witnessed extreme depression. Finally, the people investigated were receiving aid because of necessitous condition. Their number, therefore, quite possibly contained more poorly paid workers than would be found in a strict unemployment insurance system.

liminary draft provided that each state should conduct its unemployment insurance separately. Somewhat like the health insurance scheme,[42] the state unemployment insurance funds were to be independent, self-administering units. A reserve, however, had to be provided for localities which suffered from such severe unemployment that they could not meet their insurance obligations, and for periods of protracted business depression. For this purpose a federal equalization fund was suggested. To it state funds were to be required to contribute. The unemployment insurance authorities were expected to coöperate with the employment exchange, which was to be organized under a supervisory federal bureau.

The plan proposed did not meet the approval of the advisory and law-making bodies. The system was too decentralized. The federal equalization fund was considered clumsy. The relationship with the employment exchanges was inadequate. When re-drafted,[43] the bill corrected these features, bringing forth an entirely new plan of administration. After six months of discussion and sharp political debate, the Employment Exchanges and Unemployment Insurance Law was passed by an overwhelming majority on July 16, 1927. It received 356 favorable votes out of the total of 419. The orders of 1918 had received 18 amendments and had been reënacted with modifications four times in the process of writing the law of 1927.

[42] For explanation see footnote 26, on pp. 23, 25.
[43] The first draft was laid before the *Reichstag* on December 16, 1926.

CHAPTER IV

PRODUCTIVE UNEMPLOYMENT RELIEF WORKS

Contemporaneously with its post-war efforts to provide relief for the unemployed, Germany developed a program of public works. The policy of " productive unemployment relief " was first set forth in 1919. At that time unemployment assistance, wherever possible, was made conditional upon performance of work. A job paying wages was offered in place of monetary assistance. All unproductive aid was to be superseded by measures which were " productive " because they gave employment and because they were of economic value to the community. The worker was treated as though he were hired under terms of free contract. His wage was fixed according to the rate prevailing in the community. This policy created difficulty, however, and in January of 1920 the Minister of Labor was given the right to decide what rate should be adopted in disputed cases.

No acceptable calculation of the extent of productive unemployment relief in Germany is available. Estimates of expenditures, in terms of the rapidly depreciating currency, from the time of the organization of the Federal Office for Economic Demobilization to the end of October, 1921, place the sum at 850,000,000 marks.[1] Approximately 390,000 individuals who would otherwise have been given relief were set to work. They represented nearly three-fifths of the assisted unemployed. Their work lasted usually four or five months. The sum of 850,000,000 marks was provided in the rough proportion of one-half by the federal government, one-third by the states, and one-sixth by the communes. When inflation, in 1922 and 1923, assumed fantastic proportions, the public treasuries were unable to continue to provide support for productive relief works.[2]

[1] Berger, Ernst, " Die produktiv Erwerbslosenfürsorge und die kommende Arbeitslosenversicherung," *Reichsarbeitsblatt,* 1921, Nichtamtlicher Teil, pp. 1190-1192.

[2] In spite of the liquidation of their debts through inflation, the local, state, and national treasuries encountered serious difficulties. Their money on hand depreciated. Taxes assessed at the beginning of the year were later of small value when paid in quarterly instalments. One of the reasons given for pouring money into public works during 1920 and 1921 was that the money would better be spent before it depreciated in value. By 1922 it had already done so.

I. Public Works

Unemployment rose at the end of 1923 until nearly a million persons received benefit in November, and one and one-half millions in December. On November 17, federal loans or subsidies were authorized for public, mixed public and private, and private relief works. The aim was to increase the national output of foodstuffs, raw materials, or commodities essential to further production. Enterprises were selected that required a large expenditure for labor costs and a small outlay for materials. Preference was to be given those that promoted better distribution of labor and the creation of fresh opportunities for work.[3]

Loans or subsidies were to be granted for large and small scale relief works. To the latter, loans equal to the amounts which the workers employed would otherwise receive as unemployment donations were permissible. If there was evidence of dismissal of workers in order to obtain sums from the unemployment relief funds, grants were withheld.[4]

Public funds were made available for large scale relief works when at least 2,000 days of employment were provided. Such loans were limited to communities where recipients of unemployment benefits numbered at least 20 per thousand inhabitants. Not until a person had been granted unemployment assistance for at least a fortnight could he be employed. Grants were to be based upon the amount of unemployment benefits previously paid the workers.[5] Only in exceptional cases could they exceed twice the amount of the benefits.[6]

[3] They were particularly favored if they encouraged the transfer of labor from large towns to small ones or to the country. Private enterprises which were not carried on for profit could be subsidized. Public bodies, as a rule, were not expected to administer the undertakings, but were to see that the profits of the contractor to whom they were let were kept to an indispensable minimum. Contracts were to be advertised at public tender and not let out privately. Grants for relief work were usually to be made for periods not to exceed six months.

[4] An example is that of a town needing to build a road, able to do so, and appropriating funds for the purpose. Later, if this town dismissed the workers constructing the road, in order to receive grants from federal and state funds, renewal of the work did not entitle the town to a loan or subsidy for productive unemployment relief.

[5] Without consideration of a bonus which the person so employed might receive.

[6] Then they might be raised to two and one-half times that sum. Subsidies, for which repayment was not required, were only to be made when relief works could not be financed otherwise, and when even a loan offered insufficient incentive to undertake public works. Grants were not to be made to private enterprises from which a profit was to be expected, unless the government was guaranteed an adequate share in such profits. Loans were to be repaid with

The employment of persons upon productive relief works was carefully regulated. Workers could be engaged only through the public employment exchanges.[7] A person who refused employment, or performed his task in a manner equivalent to refusal, forfeited his benefits. When the work was offered at a distance from the place of residence, unattached persons were, if possible, to be selected to perform it, in order to leave opportunities of employment near home for those with families. Persons could be employed in short shifts, if the work permitted. This policy was not to be resorted to if the relief works were distant from the worker's residence.[8]

The method of wage setting was modified in the orders of November, 1923. Employment upon public works was treated as a form of relief. The recipient was expected to work in exchange for assistance. Rates of payment were reduced. The unemployed person, however, did not view the matter in the same light. Only when he received a bonus would he remain on the job or do good work, with the result that his pay had to be raised above the relief rate.[9] After stabilization, grants to relief works were more systematic than was possible during the uncertain period of inflation.[10]

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interest within ten years. When the benefit payable to persons employed on relief works was also defrayed from the loan, the amount saved on unemployment benefit could be deducted from interest. Additional grants could be made to relief works which increased production when repayment of the loan was guaranteed, and when the enterprise promised to make a profit in the future. The rules prescribed procedure for securing loans or subsidies, rendering accounts at regular intervals, and repayment with interest.

[7] They must have been in receipt of unemployment assistance for at least a fortnight. Persons out of work for a long period of time were to be given preference. Whenever regular work could be found the individual engaged upon relief works was to be recalled by the employment exchange. Due notice, however, was to be given the manager of the relief works. In rare cases when a man's special or technical ability made him so invaluable to the relief works that his recall would seriously handicap the enterprise, this fact was taken into consideration.

[8] When short daily shifts were impracticable, work was to be spread over as many persons as possible by engaging them for short periods of time. Thirty-six working days were to constitute normal duration of employment under such circumstances.

[9] Maximum wages were fixed, however, to avoid attracting persons otherwise employed. Persons engaged on relief works were insured against hazards in the same way as those hired under private contract. Works councils were prohibited. A maximum period of employment upon relief works was fixed at three months within a year. This could be extended to six months in exceptional cases.

[10] The orders of 1923 were practically embodied in the unemployment relief code of 1924. Particular emphasis was laid upon the requirement that work

Regulations embodying important modifications and recodification were again issued on April 30, 1925.[11] These orders substituted for small and large scale relief works two other classifications, respectively termed *Grundförderung* and *verstärkte Förderung*. In the former case grants, usually non-repayable, were to be made out of unemployment assistance funds, that is, out of means provided from the joint contributions of employers and workers. In the latter, the grants were made from equal contributions of the federal government and the state in which the relief works were conducted.[12]

These orders once more modified the terms of payment to persons employed upon public works. They sought again more nearly to approach conditions of free contract, though not going so far as the provisions of 1919. The result was a mixture of employment and relief, which was not entirely satisfactory. Employment on public works was still considered a form of aid, but remuneration was set according to local wages. A maximum rate was fixed, however, and a person was not allowed to earn more than he would in regular employment.[13]

Aid to the extent of 19,750,000 gold marks, or nearly five million dollars, was granted from the unemployment assistance funds for relief works between July 1, 1924, and January 31, 1926.[14] Four-fifths of the sum was spent in the year July 1, 1924, to June 30, 1925.[15] Favorable labor conditions during 1925 reduced the requirement to a little over two million rentenmarks for the ensuing seven months.

Toward the end of 1925 severe unemployment set in. The crisis forced the government to call into extraordinary use its early post-war

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must be of public utility and that it should not be physically harmful to the person engaged upon it. Impetus was given to the search for further types of enterprises that could be successfully conducted.

[11] *Reichsgesetzblatt*, I. 127. *Reichsarbeitsblatt*, I. 177.

[12] The money was usually to be advanced as a loan, and was only to be available when the unemployment situation made relief works an urgent necessity. Funds were allowable only upon sanction of the state, or of the federal authorities. Adequate security was required. The rate of interest was to be determined by the chairman of the employment exchange and an administrative committee. Systematic repayment of the loan was required.

[13] Persons utterly unaccustomed to the task, who could reach the level of ordinary performance only after three months of experience, could be retained longer than 13 weeks, if the employer could not otherwise secure efficient production.

[14] *Entwurf eines Gesetzes über Arbeitslosenversicherung.* Reichstag, III. 1924-27. Drucksache. No. 2885, pp. 150–153.

[15] The amount spent was 17,650,000 gold marks, or a little over $4,000,000.00.

powers of creating opportunities of employment. At the beginning of the year it started an extended program of relief works. Before spring arrived events demanded still further expansion.

Early in 1926 the government granted from the Treasury 100,000,000 marks to the railways, in order to increase opportunities for work.[16] Later an additional 53,313,000 marks were appropriated to complete certain railway lines the construction of which had been started before the war. The postal service, likewise, received 300,000,000 marks for needed improvements. To this sum was added 20,000,000 more, to be used for the express purpose of offering employment to those out of work. Both of these services had seriously deteriorated during the war and the period of inflation. In consequence, they offered an opportunity for a large program of public works.[17] The result of the subsidies was a marked increase of activity in the metal and machine industries.

The government also appropriated 12,350,000 marks for canals and waterways. It further loaned the states 200,000,000 marks on short-time credit to be used to build dwelling houses to meet the serious housing shortage which existed throughout Germany. In addition, 30,000,000 marks were granted to erect homes for agricultural laborers. This was done in order to attract German workers to the farms and to cut down the immigration of alien agricultural workers, who were willing to live under conditions that Germans would not accept.[18]

Difficulty arose in constructing waterways because the program required interstate coöperation. The money appropriated for building

[16] Of this amount, 30,000,000 were to be spent in increase of trackage; 35,000,000 for round houses; 15,000,000 for tools, equipment, safety devices, including brakes and electric signals, and depots; and 20,000,000, to be matched by a similar amount from the city, were to go toward the electrification of the Berlin railways.

[17] The official estimates for the railways show that about three-fourths of the trackage program was carried out in 1926, two-thirds of that for round houses, one-third of the program for safety devices, depots, etc., and about 17,000,000 marks for the electrification of the Berlin railways. Of the additional grant of 53,000,000 marks, about 4,500,000 were utilized during that year. Practically all of the money appropriated for the postal service was used.

[18] About 30,000 such dwellings were built under the program, calling for *verstärkte Förderung*, between 1921 and the end of 1925. The plan decided upon in 1926 called for an appropriation of 75,000,000 marks for a three-year building program, designed to erect about 10,000 homes during that period.

dwelling houses was practically all used and caused increased activity in the building trades.[19] The same was true of the construction of homes for agricultural workers.[20]

In addition to this money, the Reichstag appropriated 100,000,000 marks early in 1926 for verstärkte Förderung. The states were required to match the sum. At first funds were divided pro rata among the states. Then, as a result of a questionnaire sent out in the spring, a second appropriation of 100,000,000 marks was made. This fund was to be used for grants to special states where recipients of unemployment aid exceeded 2 per cent of the population. A further allotment was made to Prussia. The official list of grants to public works made by the German government during 1926 reached the imposing sums shown in the following incomplete table.[21]

Type of work promoted	Amount reichsmarks
Railways	100,000,000
Railways, additional	53,313,000
Postal service, additional	20,000,000
Canals	13,350,000
Construction of dwelling houses	200,000,000
Construction of agricultural dwelling houses	30,000,000
"Productive unemployment relief"	100,000,000
"Productive unemployment relief," additional	100,000,000

[19] Increased activity in the building trades is to some degree shown by a decrease in application of these workers to the employment exchanges. The evidence is only partial, as many did not seek work through the exchanges. The figures below indicate the decrease in the number of applications to the exchanges during the summer of 1926.

Month	Skilled workers applying	Unskilled workers applying
July	89,492	107,222
August	84,961	102,558
September	75,211	96,744
October	82,054	96,667

Unemployment rose sharply in November of that year, mainly because building operations are highly seasonal in Germany, but partly because of the severe winters.

[20] It was hoped that the annual immigration of foreign farm laborers could thereby be cut by some 20 or 30 thousand. About two or three thousand more houses were built than they had anticipated.

[21] *Reichsarbeitsblatt,* No. 4, 1927, *Beilage.*

The appropriations for "productive unemployment relief" enabled the states to proceed with public works. The funds were spent as follows:

Allocation of funds [a]	Reichsmarks
Debit from 1925 [b]	32,000,000
Payment to the states (*Verstärkte Förderung*)	
First appropriation	107,610,000
Second, granted states where unemployment exceeded 2 per cent of population	50,000,000
Additional sum for Prussia	31,500,000
Credit for meeting unemployment in wharves	19 500 000
To the Land Reclamation Company [c]	4,500,000
To the Waste Land Reclamation Company [c]	2,000.000
Aid to the iron mining industry	2,520,000
To Krupp (for a textile machine building) [d]	1,000,000
Buildings constructed to house employment exchanges	3,000,000
Total	253,630,000
Subsidies of Reich and States to interest on loans which provincial administrations had taken over for the purpose of building roads	82,250.00

[a] Including the 30,000,000 marks for agricultural dwellings and the 200,000,000 marks appropriated for productive unemployment relief, noted above.

[b] To cover guaranty of refund of moneys paid out by the localities under the system of *verstärkte Förderung*. The sudden increase of unemployment at the end of 1925 caused the localities to begin public relief works projects before obtaining federal funds.

[c] Semi-public companies, designed to bring more land under cultivation.

[d] This loan was granted but never taken up by the firm.

Under the guarantee that the federal government would match part of their loans to public enterprises, the states advanced money which was later repaid. Productive unemployment relief was also furthered in the form of additional buildings for the employment exchanges, which were rapidly expanding their functions. In addition, the federal government and the states paid interest on loans for road building floated by provincial administrations.

As a result of productive unemployment relief the number of people set to work rose from 29,000 in October of 1925 to 170,000 in May of the following year. It dropped gradually to 124,000 in December, 1926.[22]

After the sharp peak of unemployment in the first quarter of 1926, the situation became appreciably better. How far public works were responsible for the improvement it is impossible to determine. Other

[22] The number of persons employed each month is shown in the *Reichsarbeitsblatt*, No. 4, 1927, *Beilage*.

economic factors, including the English coal strike and "rationalization," entered; but public works undoubtedly assisted in bringing about the change. When emergency unemployment allowances were established in November, 1926,[23] their recipients were also given the privilege of employment upon public works.

In 1927 better business conditions prevailed. The program of productive unemployment relief resumed normal proportions. During the three-quarters of the year preceding the inauguration of the law of 1927 over six million days of work were provided in land reclamation projects, seven and one-half million on road building, one million on electric power development, and six and one-half million on miscellaneous underground work. To promote these enterprises the government loaned nearly 115,000,000 marks, or something less than $30,000,000. In addition, more than 40,000 houses costing 24,500,000 marks were constructed. The number of persons employed ranged from 66,000 to 149,000 monthly.[24]

II. Productive Relief Through Private Business

The plan of productive unemployment relief during this time included loans to private industries.[25] There were numerous problems, however. A factory might close down in order to apply for a loan to reëmploy its workers. Or, a firm might receive a loan for the purpose specified and thereby cause others to demand the same treatment. Choice between the numerous requests was difficult. Often it was impossible to know which cases were justified in applying for funds and which ones were misusing the privilege. The money was loaned by the government on low rates of interest, so that there was incentive to apply for it. Further danger lay in continuation of the grant after

[23] See p. 27.

[24] *Statistisches Jahrbuch für das Deutsche Reich*, 1927, p. 388.

[25] A typical case is that of a ship-building firm, employing about 500 men. At the beginning of the depression of 1926 this firm received a commission to build a freighter. The building costs were estimated at 500,000 marks, of which about 200,000 marks were for wages. The entrepreneur needed between 60,000 and 80,000 marks to begin the work. Unless he could raise that sum he must discharge about 200 workers at a time when they would probably be unemployed for some months. Single workers had already been laid off. The 200 workers in question had families and were therefore eligible to supplementary aid for their dependents. It was estimated that the average monthly unemployment relief that would be granted these workers was about 60 marks. In a period of six months, unemployment relief alone for these families would amount to 72,000 marks, to say nothing of additional aid from welfare agencies for clothing, shoes, fuel, etc.

the firm had ceased to need it. Another evil lay in the possibility of loaning money to firms with inefficient methods or lacking a market for their goods.[26] There was danger, too, of use of political power to secure special concessions. Experience with subsidies to private firms was for the most part unsatisfactory. At times it provoked sharp criticism. The policy was definitely abandoned, therefore, in 1927.

In specific cases the government requested firms to hire certain individuals, granting subsidies for the purpose. The employer was given merely the sum that would otherwise have been paid out in benefits to the same person or persons, but only after careful analysis of the individual case. Nevertheless, the system was not satisfactory. The employer found that there was not enough money in it to be worth his effort to fill a position which might otherwise remain vacant. The scheme was consequently abandoned.

III. Productive Relief Through Welfare Agencies

Public welfare agencies in some of the cities also undertook productive unemployment relief. The Poor Law authorities under powers granted by the labor relief clause of the Federal Public Welfare Law of 1924[27] attempted to develop relief works. The overseers of the poor provided work in order to prevent the disorganization resulting from receipt of aid without obligation of service. They aimed to conserve the person's labor power and to return him to regular employment as speedily as possible. However, recipients of assistance often regarded the tasks as punishment for their poverty. Workers on free contracts and independent entrepreneurs offered opposition. They contended that the work would otherwise have been undertaken by private capital and that the workers would then have been hired as regular laborers. Few productive unemployment relief projects were undertaken by the Poor Law authorities, however, after the passage of the law of 1927. Compared to the vast program conducted by the public authorities from 1919 to 1927, the efforts of private industry and those of the welfare agencies were insignificant.

[26] In the building of wharfs, for example, some construction was continued for the sake of giving work to the unemployed, although in certain places there were already too many wharves. The result was that some of them were never used.

[27] Section 19 of the Federal Public Welfare Law of February 13, 1924, reads: "Poor Relief granted to persons capable of work may, in suitable cases, be given through assignment of work of a sort to which they are adapted, or may be made conditional upon performance of such work, in so far as such practice does not involve difficulties to the public authorities or is not contrary to law."

This widespread public program of relief work fitted into Germany's need for extensive construction to compensate for war-time absence of building activity. Those who developed the program for unemployment relief turned Germany's need for rebuilding to the advantage of the unemployed. By 1927, some of the most pressing demands for public construction had been met. Much had also been learned through the eight years of effort to provide public works. The results of experience and of the changing situation were written into the law of 1927.

CHAPTER V

THE EMPLOYMENT EXCHANGE

Throughout the post-war period placement played an important part in the program of assisting the unemployed. When the Federal Office for Economic Demobilization was organized in 1918, it assumed control of all existing local public employment exchanges. The next year they were turned over to the Ministry of Labor.

The labor exchanges were totally inadequate to meet the problem of unemployment immediately following demobilization. To supplement their efforts the Federal Office for Economic Demobilization tried to provide work by requiring firms to retain their workers or even to take on additional labor. Special orders directed the reëmployment of former workers who had left their positions for war service. The effect was far-reaching. Orders were even issued commanding the employment of foreigners who had participated on the German side during the war, but this decree was evidently not widely carried out.

Attempts were made to prevent the discharge of employees before resorting to part-time work. Employers were permitted to dismiss workers only after they had reduced working time to 30 hours a week. Later the rule was changed to 24 hours. Furthermore, the employer had to give from two to four weeks' notice before discharging anyone. This regulation had a wide influence on the employment situation. The local demobilization committee could require establishments having more than 20 persons on their payroll to employ a certain number of war veterans. How widely these orders were carried out or what their effect was it is difficult to determine. Many employers did their best to comply, some running their plants for months without profit or even at a loss. However, such measures could be resorted to only during a crisis.

The Federal Office for Economic Demobilization also developed a vocational guidance service to assist in the placing of ex-soldiers and war workers. Those released from the army during the war because unfit for service had needed vocational reëducation, though many had not received it. The maladjustment which these and others exhibited became obvious at the close of the war. Millions of ex-soldiers and

war workers also required vocational advice because industry was dislocated. The returning soldier, if he did secure work, often displaced the juvenile who had gone to work during the war because of the high wages paid. The young person had not completed the legal school requirements nor thought of special training. All of these people—the unfit adults, the able-bodied ex-soldiers and war workers—who could not find jobs, and the untrained juveniles, created a mass problem which forced the Federal Office for Economic Demobilization to issue an order [1] laying the foundation for the development of vocational guidance linked with placement.[2]

The local public exchanges performed valiant service in meeting the problems which faced them. Consequently they received strong support from the Minister of Labor. They proved so indispensable that an Employment Exchanges Law permanently establishing a federal service was passed on July 22, 1922. This Act created local and state labor exchanges under the supervision of a federal office. New local offices were to be organized in localities needing them. Towns and villages were empowered to combine to establish an employment exchange where united effort increased the efficiency of the service. Specialized branches could be created to serve certain types of labor, such as unskilled workers in particular industries, those in skilled trades or occupations, women, or handicapped persons. The local labor exchanges were to place workers in jobs, coöperate with the committees administering unemployment relief, give vocational guidance,[3] and place apprentices.

Additional duties were assigned to the local labor exchanges by order of the Minister of Labor. They coöperated, for instance, in the creation of opportunities of work, assisted in providing for the mentally or physically handicapped, and aided itinerant workers. All of these services they rendered without cost to employer or employee. The service was necessarily non-partisan.[4] Workers were referred only to positions paying the legally established wage rate wherever trade agreements existed. Otherwise, the customary rate of the community was

[1] On December 9, 1918.

[2] On May 12, 1923, a law was passed providing for vocational guidance and the placement of apprentices either in connection with the employment exchanges or independent of them.

[3] About 67 per cent of this work was conducted by the public employment service as early as 1922.

[4] No consideration of membership in any organization was allowed, questions on the subject being prohibited. Placement was made on the basis of physical and professional or technical fitness, personal and family circumstances, duration of unemployment, and the state of the labor market.

the standard.[5] Workers were informed of the existence of strikes or lockouts, if positions were made available thereby. They were recommended to such jobs only upon their own request. Employers were required to report a strike or lockout to the exchange.

The state employment exchanges were expected to study the labor market and to know conditions so that workers and jobs could be brought together. They were to dictate policies governing vocational guidance and placement. They were given extensive supervision over private fee and non-fee agencies.[6] They were expected to coöperate with the health insurance fund, with employers' and workers' associations, and with organizations giving unemployment relief.

Both the local and the state exchanges were to be managed by administrative committees. The committee for the local office was to comprise a chairman and at least three representatives each from employers and workers. That of the state exchanges was to be composed of a chairman and equal representation from employers, workers, and localities having exchanges.[7]

The National Employment Office was the seat of final authority in placement matters. It was to observe the state of the labor market and to collect information on the subject. It was to gather material concerning strikes and lockouts, membership in employer and labor organizations, and labor conditions in general. It was authorized to adjust the demand for labor and for positions between different districts. Final decision in disputed questions arising in the local or state offices lay in its hands.

Under the law the employer could be required to report vacancies to the labor exchange if the Minister of Labor so decreed. This rule applied, however, only to occupations covered by the compulsory provisions of the health insurance or salaried employees' insurance laws. It did not include agriculture or domestic service, or establishments employing less than five persons. However, the Minister of Labor made very little use of this provision.[8]

[5] Where placement depended upon determination of the customary wage rate, final authority rested with the Minister of Labor.

[6] Fee agencies, by the terms of the law, were to be abolished on January 1, 1931.

[7] Women were to be members of the state committees, though whether as representatives of labor, management, or the public was not specified. The expenses of their own offices were to be borne by the national, state, and local governments.

[8] It was retained, however, in the law of 1927 for use in possible future emergencies.

The disastrous unemployment arising at the termination of inflation forced the exchanges to further efforts to enlist the coöperation of the employers in providing work.[9] Employers frequently tried to keep their workers as long as possible, but industry could not continue to retain people on its payroll when there was no work. When dismissing employees they were required by executive decree[10] to inform the directors of the exchanges of the date and cause of release and the wages that the person had received. Such a rule could be effective only during periods of severe stress. It was not easy to enforce.

The unemployment crisis of 1924 led to the utilization[11] *of unemployment relief funds for vocational education courses for the unemployed.* A supplementary wage could be paid for as long as eight weeks to a person who accepted a job in which he could not receive full wages until he had completed an apprenticeship. The supplementary wage was not to exceed five-sixths of the full normal wage for the job.

The employment exchanges gained further power upon the codification of unemployment relief orders in 1924. To them was left decision concerning an unemployed person's eligibility to assistance.[12] Their committees were given power[13] to issue orders concerning unemployment relief. They could require young persons under 18 to attend vocational courses as a condition of receipt of aid.

The number of public exchanges grew until in 1927 they approximated 900.[14] They were responsible for 89 per cent of the placements made by public and private agencies. A few communities, to be sure, had too many exchanges, while others suffered from inadequate facilities. On the whole, however, the network of exchanges that developed between 1922 and 1927 functioned admirably.

[9] Emergency orders required them to give six weeks' notice before laying off help.

[10] Of April 25, 1924.

[11] Following orders issued on April 25, 1924.

[12] A task formerly performed by the local public authorities.

[13] Along with the Minister of Labor and the highest state authorities.

[14] In the U. S. at the present time there are 170 public exchanges. *American Labor Legislation Review,* December, 1928.

PART II

THE NATIONAL INSURANCE SYSTEM

CHAPTER VI

THE ADVENT OF UNEMPLOYMENT INSURANCE

The nine years of post-war experimentation had crystallized German opinion concerning the essentials of unemployment assistance. Experience had resulted in acceptance of public administration and financial responsibility. Local assistance was recognized as less satisfactory than national. Industry's obligation for financial support of unemployment assistance and allied services was taken for granted. Insurance was thought to be preferable to unemployment relief. The employment exchanges were considered an intrinsic part of the program of unemployment assistance, and an administrative body that integrated the two was believed to be more efficient than any other conceivable form of organization. All of these principles were embodied in the Employment Exchanges and Unemployment Insurance Act that was passed on July 16, 1927.

I. Basis of Support of the Insurance System

The costs of administering and maintaining the German unemployment insurance system under the Act of 1927 are provided through the equal, compulsory contributions of employers and workers. Maximum payments may not exceed 3 per cent of wages or 1½ per cent from each side.[1]

The employer forwards to the health insurance fund both his own and the worker's contribution to unemployment insurance. If the employee is a member of the latter, payments to both funds are made simultaneously. If he is not, the health insurance fund, nevertheless, acts as collecting agent. This method represents a distinct economy in collection and provides a check on extent of compliance with the law.[2]

[1] In case an employer, in order to evade payments, discharges a worker who is exempted from contributing to the fund until six months before the expiration of a written agreement, he is taxed double the usual payment.

[2] Employers must report to the health insurance fund the employment or release of all persons in occupations compulsorily included within its membership. Since payment of health insurance is a firmly established custom, not likely to be seriously evaded, it becomes fairly easy to check contributions to unemployment insurances through the simultaneous payments.

The health insurance fund deducts a fraction of 1 per cent for cost of collection.[3] It immediately forwards the rest to the district, or, in certain cases, to the local labor office.[4] Part of this money finances the work of the district labor office, being shared by the constituent local offices. A proportion which is determined by the central office in Berlin goes to that body.

Benefits are paid to the unemployed worker by the local labor office, which is reimbursed monthly by the district office.[5] Support of local and district expenses for placement, vocational guidance, and insurance are taken from the percentage of contributions allotted to the district. National funds are expected to meet the expenses of the central office in Berlin and to provide a reserve to care for at least 600,000 unemployed persons for three months. Until such a fund is created, the maximum rate of contribution of 3 per cent of wages may not be lowered.

After a sufficient national reserve has been established, excess of income over demand for funds for three consecutive months within a district or locality permits the 3 per cent rate to be lowered for that district or locality. If contributions do not suffice for the district, deficit is met by grants from the national reserve. Should the reserve not meet the demands upon it, loans to the fund may be made by the Ministry of Finance.

The provision for scaling rates according to district or localities is intended to encourage efficiency in administration. Thus far no reductions have been made because of the pressure of unemployment. Rates to special industries or firms may not vary within a district.

While the contributions of employers and workers cover the normal charges of unemployment and allied services,[6] *special assistance is granted from public funds.* Emergency unemployment allowances, which are somewhat comparable to the "extended benefits" formerly obtaining in the English system, are supported from public funds. For this purpose the national government subscribes four-fifths, and the localities in which the necessity for such aid arises, one-fifth of the

[3] For rates of indemnification for handling the funds see Weigert, O., *Ausführungsvorschriften zum Gesetz über Arbeitsvermittlung und Arbeitslosenversicherung,* pp. 400-403.

[4] For discussion of local, district, and central labor offices see pp. 60-64.

[5] In case it does not receive the money directly from the health insurance fund.

[6] Including maintenance of the unemployed worker's contributions in the other forms of social insurance during his period of eligibility to unemployment benefits.

money required.[7] Special relief for the seasonal worker is met from funds four-fifths of which come from the Reich.[8] Enterprises designed to create opportunities for work for the unemployed are given loans or subsidies by the Reich, to be matched by the localities.

II. Scope of the Law

Membership in the unemployment insurance system is compulsory for most persons covered by the health and salaried employees' insurance schemes.[9] A large proportion of those who earn less than 6,000 marks a year fall within its scope.[10] The basis of classification is occupational, not national. Insurance is not limited to German citizens, nor to persons from countries that offer similar provisions to German workers. All persons within the scope of the law are insured from the day of employment to that of release from the occupation.

Exemption from compulsion to insure is granted to certain agricultural, forestry, and fishery workers.[11] Apprentices under a two-year contract and those bound out in agriculture or forestry under a one-year term are exempted until six months before the termination of

[7] The recipient of emergency unemployment allowances is maintained in good standing in the health, invalidity, and old age insurance funds.

[8] See p. 101.

[9] Every member of the community is bound to conform to the unemployment insurance system. Non-compliance results in fine or imprisonment. The punishment is set by the local, district, or central office, and is enforced by the communal authorities. It follows negligence, wilful misdemeanor, or criminal violation.

[10] The occupational groups compulsorily insured in the health and salaried employees' insurance funds comprise: (1) laborers, apprentices, journeymen, and domestic apprentices; (2) the administrative staff of industrial or commercial establishments, foremen, and other salaried employees of similar position, if this work constitutes their main occupation; (3) clerks in stores, offices, and drug stores, and apprentices in the last named occupation; (4) actors and musicians, regardless of the artistic value of their performances; (5) teachers and instructors, and persons employed in connection with education, instruction, nursing, and welfare work, if these are their main occupations and main source of income; (6) domestics; (7) crews of German seagoing ships; (8) industrial home workers, who are included within the health insurance law by the terms of the *Hausarbeitgesetz* of June 27, 1923. *Reichsgesetzblatt*, Pt. I, p. 472.

[11] Exemption obtains when they are farm-owners, tenant farmers, independent fishers or fishers on shares who gain most of their living thereby and are employed as wage-earners for less than half the year. If they are in the service of a spouse or of certain other relatives they are excepted. Agricultural and forestry laborers who are hired under written contract for at least a year are freed from obligation to insure until six months before the lapse of the employment agreement. Domestic servants in agriculture are entirely excused, because there is a constant shortage of labor in this occupation.

the contract. Persons in the navigation service whose salaries exceed 6,000 marks a year are excepted. Casual workers who are regularly employed less than 26 weeks in 12 months, may, upon application, be excused if the job is only their secondary occupation.[12]

Employees of the Zeiss firm who have been there long enough to be eligible to its unemployment benefits are exempted.[13]

Provision is also made for voluntary, extended insurance. It is limited to those who have been promoted above the rank in which they were compulsorily insured. They may continue to be insured only if they remain in positions which, but for the salary, would require membership in the unemployment fund.[14]

III. Eligibility to Benefits

Claim to unemployment insurance arises from three conditions. The worker must have fulfilled the occupational requirements. He must be able and willing to work and involuntarily unemployed. He must not have exhausted his claim.

Eligibility for benefits obtains only after a person has, during a year, worked 26 weeks in a compulsorily insured occupation.[15] It may

[12] Or they may apply for release from membership in the health insurance fund. In such an event, membership in the unemployment insurance system terminates automatically.

[13] The law specifies that a firm that for at least one year previous to October 1, 1927, has had a financially satisfactory system of unemployment insurance may be exempted. The Zeiss firm is the sole one that qualifies. This firm is incorporated as a foundation, whose charter requires it to set aside funds for unemployment insurance for its workers.

[14] Those entitled to extension must notify the health insurance fund of their intention to continue their membership, within three weeks of the change in status which excludes them from the compulsory provisions of the law.

Some estimate of the scope of health and unemployment insurance in Germany may be gathered from the data for July 1, 1928. At that time 21.7 million persons were members of the health insurance fund, 19.2 million by compulsion and 2.5 million voluntarily. Seventeen million, two hundred thousand persons were insured against unemployment. Of this number, 16.8 millions were also members of the health insurance fund, while 400,000 belonged to the salaried employees' insurance fund. Of the 19.2 million people who were required to insure against sickness, 2.4 million were exempted from unemployment insurance. They were mostly agricultural workers and apprentices. Of the 17.2 millions insured against unemployment, 15.9 millions made compulsory payments. The recipients of unemployment benefits or of emergency unemployment allowances numbered 724,000. Members of the fund who because of sickness or other incapacity to work did not make payments nor receive benefits totaled 622,000. A small group, 3,326, were carrying voluntary, extended insurance. *Reichsarbeitsblatt,* No. 24, 1928, Pt. II, pp. 393-395.

[15] The 12 months are calculated from the date of report to the employment exchange and not from that of loss of position. The 26 weeks of work need

not be gained through mere payment into the unemployment insurance fund. Employment itself is prerequisite. Where the rule works "unreasonable hardship" the 26 weeks' requirement may, in rare cases, be decreased, or the 12 months' period extended.[16]

A person who voluntarily leaves an insured occupation to work independently or without pay is ineligible for benefits.[17] An unemployed person receives no benefits during the period when he accepts wages or compensation in lieu of them.[18] If insurance and wages, or their equivalent, are drawn simultaneously, the employer may be required to recompense the unemployment insurance funds for the benefits granted. If the fault lies with the employee, repayment may be deducted from wages. However, it is considered highly desirable for the unemployed person to find odd jobs if he cannot secure regular work. Therefore,

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not be continuous. It is sufficient that the person has been employed for 182 days during the period of 12 months. (Weigert, O., *Kommentar,* p. 275.) This stipulation is more rigorous than the English scheme, which counts as a week of full employment that in which there has been one day of work.

[16] The law has defined "unreasonable hardship" as follows: (a) a worker, usually a farmer, who has been employed in an exempted occupation or has worked independently during part of the previous year, may not have to fulfill the 26 weeks' requirement. (b) The same may be true of a person who is compulsorily insured but who through a technicality has not been employed for 26 weeks during the previous 12 months. For example, a worker may be employed, idle, reëmployed, and again idle. If he lives on savings during his first siege of unemployment and does not claim benefits to which he is entitled, and if the period of reëmployment and subsequent idleness total more than 12 months, he may receive benefits. (Weigert, O., *Kommentar,* p. 277.) (c) Again, if a worker takes continuation or vocational reëducation courses, time in school may be excluded from the 12 months' period. (d) If he is unemployed, but receives money from his former employer in lieu of wages, the period of receipt of such money is not reckoned in the 12 months. (e) Unemployment due to sickness, for which health insurance is granted, is not included. (f) The time of confinement by the public authorities in a public institution is also exempted. (g) Finally, under peculiarly unfavorable conditions in the labor market, the period of receipt of benefits that does not continue long enough to exhaust claim may be excluded from the 12 months' period. In no case may these extensions exceed three years during which the person must have worked 26 weeks.

The periods of 26 weeks are not cumulative. When a person has established a new claim, the old rights expire. Agricultural and forestry workers who, through no fault of their own or of their employers, lose their positions more than six months before the termination of their written contract of employment are protected against loss of claim. Special provision may be made to assist the casual worker to establish title to insurance.

[17] For example, the owner of a small piece of land who works in an insured occupation during the winter cannot draw benefits in the summer.

[18] For example, seamen aided by funds especially established for their relief, may not receive unemployment benefits simultaneously.

income from irregular employment is not deducted from insurance when it does not exceed 20 per cent of the benefits to which the person would otherwise be entitled.

The foremost condition for eligibility is ability and willingness to work. Unemployment must be involuntary. The law defines capacity to work as ability to earn at least one-third of what persons of sound body and mind and equivalent training can make in a similar occupation in the same neighborhood. A person is not considered able to work if he is sufficiently ill or incapacitated to draw benefits from the health or invalidity insurance funds. It is impossible, therefore, for a person to secure monetary aid from unemployment insurance and another type of insurance at the same time. He may, of course, receive medical attention from the health insurance fund by virtue of membership therein, while regularly at work. If loss of occupation unrelated to sickness results, he does not forfeit claim to unemployment insurance.[19]

Although willingness to work and involuntary unemployment are carefully defined in the Act, they offer problems. A person who, in spite of a warning as to the possible consequences, refuses to accept work, even though in a locality removed from his home, is considered voluntarily unemployed. In such instances he loses insurance for four weeks, though the penalty may be reduced to two weeks.[20]

There are legally justifiable bases for refusing a position. An unemployed person is not required to take up work that is prohibited by law or that is against good morals. Seemingly self-evident, this maxim has important consequences. The unemployed need not accept a position under terms contrary to the laws protecting labor.[21] He may refuse work that pays a wage or salary that is lower than the legal or

[19] If persons who are not able to earn one-third the normal remuneration for their occupation are allowed to contribute to unemployment insurance, and if they continue payments for at least 26 weeks, they are protected against a decision that they are incapable of work and therefore ineligible to insurance. Definition of capacity to work is difficult in borderline cases, and clarification can only come with experience in the operation and interpretation of the law.

[20] This rule applies only to acceptance of employment; the individual may not be legally penalized for refusal to engage in an independent enterprise. The punishment is meted out even though, during the period, he changes his mind and is ready to accept the job. It results, also, if he takes work and again becomes unemployed before the expiration of the time for which he is penalized.

[21] This includes legislation covering hours, night work, rest periods, Sunday labor, health, industrial poisons, and the protection of women or juveniles. Weigert, O., *Kommentar,* p. 252.

customary rate.[22] He may not, however, decline a position because its remuneration is lower than that to which he is accustomed.[23] For nine weeks, employment that is unsuitable to his training, previous occupation, vocational future, or physical condition can be refused. After that time only the last consideration excuses him.[24] During the existence of an industrial dispute he can decline a position thereby made available. Work that is physically or morally unsuitable [25] can be rejected. He may refuse a position that offers insufficient remuneration to provide for his dependents.[26]

Inability to keep a job is a measure of one's ability and willingness to work. The person who gives up his position without "weighty" or "justifiable" reasons,[27] or has lost it because of his conduct, forfeits claim to benefit for four weeks, although the penalty may be reduced to two. The term may cover utilization of vocational training or reëducation offered free of charge. An individual who rejects such instruction loses title to benefits for four weeks. Minors may be especially restricted. When it is impractical to give them vocational training or reëducation, their receipt of benefits may be made conditional upon the performance of special tasks (*Pflichtarbeit*). These are designed to control them and to test their willingness to work. The same stipulations may surround grant of emergency unemployment allowances to

[22] The former standard is set by the minimum wage boards. Decision concerning the prevailing wage rate for a locality and an occupation may be difficult.

[23] Occupational safeguards are provided for him; but he is not entitled to base acceptance or refusal of a position on the ground of his accustomed income. The wage considerations in this case are social, not personal.

[24] The nine weeks' provision may be extended in special cases. Also seasonal workers or those unemployed because of fundamental structural changes in industry may be required to accept employment outside their occupations even during the first nine weeks. The employment exchange is required, however, always to take into consideration possible detriment to later occupational progress.

[25] This provision offers perplexing problems of interpretation because of the clause that defines ability to work as capacity to earn one-third of what is normally made in the occupation by persons of similar training.

[26] Such a situation may arise when a person is offered work away from home under circumstances that make it impossible for him to maintain his family. Family conditions or the circumstances of the job may make it undesirable or unwise for dependents to accompany him, and the wage may be insufficient to support them all separately. In such a case unemployment insurance may be granted the worker, or he may be sent to take the job with the understanding that special provision will be made for his family.

[27] "Weighty" reasons may result, for example, from insult or failure to pay wages. See Weigert, O., *Kommentar*, p. 267.

adults.[28] Unemployment because of a strike or lockout is not considered involuntary, and is therefore not covered by insurance. Persons indirectly unemployed by reason of industrial dispute may be granted benefits, however, if denial of aid constitutes "unreasonable hardship."[29]

The unemployed individual must personally report to the labor exchange in his place of residence. He may not apply by letter or through another person. The unemployed must himself give evidence of the fact and the duration of his employment. He must produce a record of his earnings during his previous three months of occupation. For this purpose the employer is required upon discharge to give him a written statement of the date of beginning and termination of employment, cause of release, and wages received.[30] Other necessary evidence, particularly medical testimony as to ability to work, may be demanded by the labor exchange. Authorities and all private persons are required to furnish the information demanded by the employment office. Title to benefit lapses if not advanced within three months of the date for which it is claimed.

During the period in which a person receives benefit he is required by law to report to the employment office at least three times a week. More frequent attendance may be exacted. In some cases daily reporting is expected. However, exceptions to the rule demanding three reports a week may be granted if they benefit the unemployed person and do not violate the purpose of the rule. Failure to comply with this provision, without due cause, results in loss of benefit for the days on which the person fails to report.[31] If placement is impossible the person may be offered a position on productive relief works where such a position is available.

After he reports to the labor exchange that he is unemployed, a person must wait six days. Then, if all efforts to place him are unavail-

[28] See pp. 74, 75.

[29] See pp. 97, 98.

[30] This statement can be checked with that of the health insurance fund. Whenever an employer hires a worker for a compulsorily insured position he must make a statement of the fact to the health insurance fund. He must also give the wage rate that the person is to receive. Change in wages, partial employment, or discharge must also be reported immediately. These requirements are made because payment to both the health and the unemployment insurance funds are proportional to wages. Compliance with the health insurance law is probably nearly complete, though data as to its exact degree are wanting.

[31] Sickness or death in the immediate family would constitute sufficient excuse for such failure.

ing, payment of benefits begins. Concession may be made, however, to the person's decreased earning power during the time immediately preceding unemployment. The waiting period may be eliminated if he has held a job less than six weeks. The same holds true if he has been only partly employed for two weeks or more and has been paid at least one-third less than his usual wage. Also if he has been incapacitated for work or has been incarcerated in a public institution for at least a week the rule may be waived. The waiting period may, under certain conditions, be reduced to three days. It may be lengthened in case of widespread unemployment in a particular occupation in order partially to counterbalance special risks.[32]

IV. Duration of Benefits

Title to benefits normally lasts 26 weeks. After that time further benefits may be paid when the individual has established a fresh claim. However, a person who takes a position after he has drawn insurance is not required to work 26 weeks at a stretch before he again becomes eligible to benefits. It is only necessary that his work total 182 days within the space of the year preceding his loss of the job.

Exceptions to the 26 weeks' rule are allowed. In case of particularly unfavorable labor conditions the law provides for extension to 39 weeks. The additional grant may be limited to a particular district or occupation.[33] Benefits may also be limited to less than 26 weeks when persons suffer from regularly recurring unemployment. This clause allows for special treatment for the seasonal worker.[34] Exceptions that increase or shorten the usual period of benefits require special administrative sanction.[35]

Assistance may be extended to the partially employed. Executive orders have been issued temporarily to include him within the provisions of the unemployment insurance act. He must fulfill the conditions for eligibility. He must suffer loss of wages because of part-time employment. He is not considered partially unemployed by virtue of working in a position that normally offers fewer hours than is customary on other jobs.

[32] Notably in seasonal occupations.

[33] This power was not made use of during the first year of administration of the law of 1927.

[34] See pp. 98-101.

[35] Namely, decision by the Administrative Committee of the *Reichsanstalt* and the agreement of the Minister of Labor.

The partially employed worker receives one, two, or three days' benefits for three, four, or five days' loss of work, respectively. Benefits plus supplementary family allowance may not exceed five-sixths of the wages paid a fully employed worker in the same occupation. The worker, upon executive orders, may be released from the requirement to report to the local labor exchange three times weekly if compliance interrupts his labor.[36] Aid is refused if the person can be placed upon full-time work. However, part-time employment is not penalized; instead it is encouraged.

Assistance to the unemployed may be extended through grant of emergency unemployment allowances.[37] This special form of aid is designed for periods of peculiarly unfavorable labor conditions. It may be granted to persons who have exhausted their claim to unemployment benefits. It may also be given to those who have not worked the necessary 26 weeks required for eligibility for insurance. Such persons must, however, have been employed at least 13 weeks within the previous 12 months and must meet all other conditions for insurance. They must also be necessitous. The duration of these allowances is determined by the Minister of Labor. Since October, 1927, the period of grant has varied. First set at 13 weeks, then extended to 26, it has been lengthened to 39.

Emergency unemployment allowances are neither insurance nor poor relief, but occupy a middle ground between the two. They are intended for use in periods of stress and not for normal times. They may be limited to individuals, occupations, or localities that are suffering from unusually unfavorable labor conditions. They may be invoked to meet a general business depression. Unlike unemployment insurance, they are limited to German citizens, and to natives of countries that make a reciprocal provision for Germans. Their support comes from public funds and not from contributions of employers and workers.

V. Rates of Benefits

Rates of benefits vary according to a wage or salary classification. The wage of an individual is based upon the average remuneration he receives for the three months of employment previous to date of application for benefits. To facilitate calculation, average weekly wages

[36] The employer in an establishment having more than ten workers, may make claim for the partially employed person. He may also be assigned to the task of paying out the insurance.

[37] They were first established in November, 1926, under the pressure of the great unemployment of that year.

or salaries for the three months' period are grouped into eleven classes. The lowest includes ten marks or less, and the highest 60 marks and above. For each class a representative wage is set. This is the mid-point of the group in all but the highest and lowest classes. Benefits are reckoned in percentages of the representative rate. The lowest income generally receives 75 per cent, and the highest 35 per cent of its representative wage. Higher wage or salary classifications may be set if necessary.

Recipients of standard benefits are granted supplementary allowances for dependent members of the family. Persons in the household who receive unemployment assistance in their own name are excluded. The

STANDARD WEEKLY BENEFITS GRANTED UNEMPLOYED PERSONS AND THEIR DEPENDENTS UNDER THE ACT OF 1927 [a]

Wage Classes Designated by Act	Average Weekly Wage Rate for Three Months Previous to Unemployment (In marks)	"Representative" Weekly Wage for the Class (In marks)	Benefits, according to number of dependents (as percentage of "representative" wage)					
			None	One	Two	Three	Four	Five or More
I.....	10 or less	8	75	80	80	80	80	80
II.....	10.01–14	12	65	70	75	80	80	80
III.....	14.01–18	16	55	60	65	70	75	75
IV.....	18.01–24	21	47	52	57	62	67	72
V.....	24.01–30	27	40	45	50	55	60	65
VI.....	30.01–36	33	40	45	50	55	60	65
VII.....	36.01–42	39	37.5	42.5	47.5	52.5	57.5	62.5
VIII....	42.01–48	45	35	40	45	50	55	60
IX.....	48.01–54	51	35	40	45	50	55	60
X.....	54.01–60	57	35	40	45	50	55	60
XI.....	More than 60	63	35	40	45	50	55	60

[a] Adapted from Weigert, O., *Kommentar*, p. 299.

supplementary allowances are scaled according to the number of dependents, and are proportional to the representative wage. Workers in the lowest wage class may be given a maximum of 80 per cent of their representative wage for benefits and additional family allowance combined. In the highest wage class these may not exceed 60 per cent of the representative wage. The rates of benefits plus family allowances for each wage class are shown in the table given above. Benefits are calculated on the basis of a six-day week. Each day's unemployment entitles the claimant to one-sixth of his weekly rate of benefits. Payment may be made in cash or in goods. The latter method is considered desirable when the person is inclined to spend his money uneconomically. Payment is usually made at the end of the week.

The person who is granted unemployment benefits is expected to report to the exchange, immediately and without summons, the receipt of any settlement or compensation from previous employment. If he or any of his dependents take work that brings in any money, he must also give notice. If he accepts compensation or insurance from any other source [38] he must declare such sums. If a member of the family, hitherto dependent upon him, dies, leaves the household, or is supported by a third person,[39] he must notify the authorities.

During eligibility the unemployment insurance system also maintains the worker's contributions to other forms of social insurance. These payments are made from funds at the disposal of the *Reichsanstalt.* Since insurance payments are based upon wage rates, these contributions are reckoned according to the representative wage of the class to which the worker belongs.[40] If the person becomes sick when unemployed, his sick benefits are the same as those paid him for unemployment.[41] The unemployed person has the same status in the health insurance fund while his contributions are met by the *Reichsanstalt* that he would have were he paying them himself.[42]

[38] Such as private insurance.

[39] As in the event of marriage.

[40] Health insurance payments in this event are calculated on the daily basis of one-seventh of the representative wage.

[41] This rule has been made to prevent sickness from resulting in advantage or disadvantage in the rate of benefits.

[42] This rule is of significance in cases where members of that fund have voting rights. Maintenance of payments to the invalidity, old age, and salaried employees' insurance funds is similar to that for health insurance. The working relationship of these funds with unemployment insurance is not so close, however, and special rules are therefore developed to insure payments.

CHAPTER VII

ADMINISTRATION OF THE LAW

One of the most knotty problems to be solved concerned the administration of the employment exchanges and of unemployment insurance. Six months of heated discussion of the preliminary draft of the law [1] was largely devoted to this question. The form of organization finally created was unique. The Act integrated the exchanges and unemployment insurance into an inseparable unit. Administration was placed in the hands of an autonomous body, the *Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung.*[2] The *Reichsanstalt* was accorded a different status than that of a research or administrative section of any government department, though ultimate supervision over it was given to the Minister of Labor.

The *Reichsanstalt* is organized into local, district, and national offices. The local labor office places applicants, gives vocational guidance, and pays unemployment benefits. It performs other services as occasion demands. Every locality is included within the province of such a local office, but the boundaries of towns and villages and of the labor office do not necessarily coincide. There are 361 of them. They are united under district labor offices, whose boundaries need not be coterminous with those of the states.[3] In fact, 13 district labor offices have been created, although there are 18 German states.[4] The central office has general supervisory powers.[5]

Occupational, as well as geographic, divisions receive recognition. For salaried employees a special division is required in the central

[1] See pp. 30, 31.

[2] The National Placement and Unemployment Insurance Service. The term, *Reichsanstalt,* is difficult to translate. It is not a federal bureau, for it is autonomous. It is not exactly an Institute, though often so translated into English. The word *Reichsanstalt* will be used throughout this discussion, therefore, instead of the long German title or a clumsy or inaccurate English term.

[3] One year was allowed by the law for the determination of boundary lines and establishment of local and district labor offices.

[4] These 13 district labor offices superseded the 22 district employment exchanges which were established under the law of 1922.

[5] It is located in Berlin.

office and may be created in any district or local office. Similar treatment may be accorded agricultural laborers, or any other occupational group requiring special attention.

Administration and Control. The *Reichsanstalt* is made up of three groups having power of administration or control. These are: (a) the governing bodies; (b) the officials and their staffs who conduct the work of the offices; and, (c) the courts of reference or appeal. These three groups comprise the enforcement machinery of each local and district as well as of the national office.

There are four types of governing bodies in the *Reichsanstalt.* Two of them, the Board of Directors and the Administrative Council, function for the entire organization. The other two are the administrative committees of the district labor offices and of the local labor offices. Each body is made up of a chairman and of equal representation from employers and workers. The president of the *Reichsanstalt* is chairman of the Board of Directors and of the Administrative Council.[6] He is appointed by the president of Germany. The chairmen of the administrative committees are also appointed.[7]

The Board of Directors of the *Reichsanstalt* is responsible for the conduct of the entire organization. It has authority to set the boundaries of the district labor offices and, with their coöperation, to fix local territories. It may abolish old or create new local or district offices.[8]

[6] He is given general responsibility for administration of the Act. He has rather wide powers of decision in certain types of cases.

[7] Careful rules control the selection of committee members, to insure their capacity to speak for their respective constituencies. Among the labor members there must be at least one salaried employee. Upon all of these administrative bodies women are to be represented, though whether as members of labor, employing groups, or of the general public is not stipulated. Membership is limited to citizens who are at least 24 years old and have full voting privileges. Salaried officials or employees, or any paid workers in the *Reichsanstalt,* are ineligible. The size of the committees is set by the *Reichsanstalt.* There must be at least five members for the local and seven for the district labor offices. Each committee sets up a smaller executive body, also strictly equi-partisan. Office is honorary and payment is made only for actual expenses incurred.

[8] It may commission the communes or communal unions to take over the work of the local labor office. It decides whether special offices for salaried employees or for particular occupations shall be established. With its approval the Minister of Labor appoints the chief executives of the district and local offices. It determines the size of the administrative committee of the district labor office. It is final authority in matters concerning control of private, non-fee employment agencies or their incorporation into the public exchanges. It hears complaints against decisions of the administrative committee of the district offices and of its own chairman, who is the president of the *Reichsanstalt.* It renders final decision concerning grant of benefits to those indirectly unemployed because of strike or lockout.

The Administrative Council of the *Reichsanstalt* helps to regulate the labor market. It decides matters concerning contributions to the unemployment insurance fund and rates and methods of paying benefits.[9] It hears appeals against decisions of administrative committees of the districts and of the executive of the central office. The administrative committee of a district labor office makes rules and determines policies governing that district.[10] The administrative committee of the local labor office make rules concerning the work of that unit.[11]

The divisional offices under the local or district labor offices also have their own administrative committees, which are constituted in the same way as those of the larger bodies. The placement service, also, is

[9] It has power of final decision concerning rates of contribution to the fund and other financial matters concerned with the operation of the law. It fixes the percentage of income that is to go to the central body. It is responsible for the maintenance of the reserve fund. It may, with the assent of the Minister of Labor, establish further wage classes in addition to the eleven fixed by the law. It may lengthen the duration of benefits beyond 26 weeks. It may regulate the period of time for which seasonal workers are entitled to benefit. It is empowered to modify the provisions concerning the waiting period, the nine weeks' exemption clause, measures for preventing or terminating unemployment, and many other details. It is authorized to make rules concerning value-creating unemployment relief works. It is allowed, with the approval of the Minister of Labor, to include the partially employed worker within the provisions for unemployment benefits. To it is left decision concerning necessity for emergency unemployment allowances.

[10] It hears appeals from decisions of the administrative committee of the local exchanges and of its own executive, the hearing to take place within two weeks of the appeal. It determines whether special offices shall be opened to place particular types of labor. It may take over private, non-fee employment agencies. Within limits, it has power of decision concerning grant or refusal of benefits to persons indirectly unemployed because of strike or lockout. It judges the value of proposals for public works. It may develop measures to prevent or terminate unemployment. It determines the financial policy of the district labor office. This function entails considerable authority and power, since the contribution of employer and worker to the unemployment insurance fund are immediately forwarded by the health insurance fund to the district labor offices. It may determine the percentage of wages to be contributed by employer and worker after the formation of an adequate federal reserve allows the reduction of rates below 3 per cent of wages. It grants to the local labor offices the sums required monthly for their operation, and it may order the health insurance fund to send the money direct to the local authorities.

[11] It hears appeals against decisions of its chairman, the hearing to take place within two weeks of the appeal. It has power to require performance of work in return for aid to juveniles or to recipients of emergency unemployment allowances. When requested to do so by the district labor office, it decides matters concerning creation of opportunities for employment. Its powers may be extended by the district labor office.

governed by special administrative committees under the local, district, and central offices. Its committees comprise representatives of employers, workers, and the public authorities in equal numbers. All of these governing bodies, from the highest to the lowest, must make their decisions in a thoroughly non-partisan manner, with the same number of voting representatives from each side.[12]

The president of the *Reichsanstalt,* the executives of the central office, and the chairmen of the district labor offices have the status of federal civil service officials. Chairmen of the local labor offices may also be given this rank. The rest of the staff is employed under terms similar to those of private contract. This policy has been adopted in the hope of eliminating "bureaucracy" and the slipshod work of lifetime appointees.

The Courts of Reference or Appeal. Appeals from decisions of the salaried staff or of the administrative bodies are carried to the appropriate courts of reference. The local board of reference[13] has power to review decisions of the president of the local office.[14] One or more similar boards of reference are attached to the district labor office. Appeal may be made to this body by an unemployed person, by a local committee, or by any of its members.[15] A court of final appeals is attached, not to the *Reichsanstalt,* but to the Federal Insurance Bureau.[16] This court has five members, a chairman, a permanent member of the central office of the *Reichsanstalt,* a government official who is an expert at law, and one representative each from employers and workers. The chairman and the lawyer are appointed by the Minister of Labor on the basis of their

[12] However, inactivity through the indifference or intentional absence of one side is safeguarded against. Equi-partisanship is not required if one interest is represented by less than two-thirds of its required membership. When one side sends no one who is authorized to voice its opinion, final motion may not be taken at the first meeting. At the succeeding session, however, those present may give a binding decision. The members are legally answerable for their committees or boards as guardians for their ward. If one of these bodies refuses to discharge its task, the president of the *Reichsanstalt* or some one deputized by him, must perform its functions; the necessary costs, in such an event, being charged to the organization for which the work is done.

[13] Composed of the president of the local labor office or some one deputized to act for him, and one representative each from employers and workers, drawn from the administrative committee.

[14] Appeals must be made within two weeks of the contested decision, and allow of no delay.

[15] It rules upon cases of emergency unemployment relief when the decision of the administrative committee has not been unanimous.

[16] This is the court of appeals for all types of social insurance.

knowledge of and practical experience with the enforcement of the unemployment insurance law.[17] The court determines questions of policy, cases involving such matters being turned over to it by the boards of reference of the local and district labor offices.

In many ways the organization of the *Reichsanstalt* is unique. The disregard of political boundaries in the establishment of the local and district offices, and its autonomy as a national body, remove it from the usual types of political control. The balance of power in the governing committees is given to employers and workers. This fact gives a quasi-industrial character to offices which enforce national legislation.

[17] In cases of necessity more than one such final court of appeals may be established.

CHAPTER VIII

THE USE OF THE EMPLOYMENT EXCHANGE

The Employment Exchange is an essential element of German unemployment insurance. This fact is indicated by the title of the Act of 1927, and by section 131, which states: "Unemployment shall primarily be prevented and combated by placement." The major emphasis upon preventive measures follows the principle laid down for all German social insurance. Great importance is attached to remedies which are intended to reduce the duration or possibility of recurrence of mishap. The search for preventive measures makes German social insurance an increasingly efficient and sensitive mechanism for mitigation and control. In pursuance of this common principle, the unemployment insurance system lays first emphasis upon returning unemployed people to work.

I. Placement

The already highly developed system of employment exchanges was taken over by the *Reichsanstalt,* under the terms of the law of 1927. The 22 former state exchanges were supplanted by district labor offices created under the new law. Most of the 883 local exchanges were incorporated into the 361 new local labor offices. They were absorbed by the new organization, physical equipment and all, or else became branch offices, meeting special geographical or occupational necessities. Old exchanges were abolished where they overlapped. Some new ones were set up. The existing equipment and personnel were utilized as far as possible.

Branch offices of the local labor exchanges generally serve particular types of labor.[1] Women, apprentices, and professional workers may, and, as often as possible, do have separate placement offices. The larger the labor market in a given area the greater the possibilities for specialization of the placement service. Offices to serve particular types of

[1] Such as workers in agriculture, the metal trades, the building trades, preparation of food, textiles, the paper industry, the printing industry, restaurants and hotels, or domestic service.

occupations are organized for district or inter-district as well as for local purposes. The system is designed to remain flexible. New offices may be established or old ones abandoned as requirements of the placement service demand or permit.

The insured worker is expected to report to the employment exchange in person when he loses his job.[2] If his community has a special placement service for his type of labor, he goes there. He applies for work presenting a written statement from his last employer. This gives his occupation and wages for the preceding three months and the reason for discharge.[3]

The placement officer searches his file of available positions and tries to secure work for the applicant in his own occupation. If nothing is found in his locality, the weekly official register of available positions is scanned. If something turns up elsewhere, he is likely to be sent there.[4] He may have to take work within the district, or in fact, anywhere in Germany, if the position justifies the railway fare. If there are no openings, if he is in good physical condition,[5] and if he is not at fault for losing his last position, he is given an unemployment card. It is stamped for that day as evidence of the unsuccessful attempt to provide him work. He is told to report again within two days.[6] At that time the register of positions is again scanned. If nothing is found for him, his card is again stamped. The process is repeated on alternate working days in the week until employment is finally found for him.

One week after his first application to the exchange the unemployed person becomes eligible to benefits, provided he has fulfilled all the conditions. On the next Saturday he applies to the pay window of the local labor office. He presents his card, which has been stamped according to code, and draws the benefits to which he is entitled for that week.

If, however, he has lost his last position through fault of his own, or if he has refused to accept the work offered, he cannot draw benefits

[2] He does not do so if other methods of securing work seem more promising and if he does not wish to take immediate advantage of his claim to benefit. His report to the exchange may not be made through another or by letter.

[3] If he has held more than one job, he must give evidence covering his last three months of work.

[4] See p. 53.

[5] See pp. 53, 55. An applicant may be required to submit to a medical examination if there is doubt as to his physical ability to work. If he is sick, his case falls within the province of the health insurance fund.

[6] Usually, but see p. 55.

until four weeks have elapsed, though he must report regularly to the exchange.[7] After he has had benefits for a fortnight, he may be given employment upon public works, if they offer anything in his line of work. When he has received benefits for nine weeks, the positions in private industry or in public works which are recommended to him are not limited to his occupation. They must, however, be suited to his physical capacity and training. If possible, they must not be detrimental to his subsequent occupational progress. If his work is highly seasonal, he has to accept a position outside his trade before the lapse of nine weeks. If he refuses work under any of these terms, he forfeits benefits for four weeks.[8]

If all of his efforts and those of the exchange are unavailing, he may draw benefits for 26 weeks.[9] Then still another test awaits him. He must prove that his income is inadequate for his support. If he is granted emergency unemployment allowances, he continues the same routine of regular reporting to the employment exchange. If this goes on for 39 weeks, he is dropped from the eligibility list of that fund also.[10] His last recourse is charity. Even after applying there he is expected to report regularly to the employment exchange, to accept employment in private industry or public works if any is available, and to prove his need of relief.

There are workers who apply to the exchanges because they wish to change jobs. If a person already employed is better qualified for a position on the list than any other applicant, he is recommended. The number of such placements, however, is relatively small.[11]

The employment service attempts to fill available positions with the best qualified persons and to secure for workers places suited to their capacities. It does not place a person simply in order of his application. It does not automatically give preference to the unemployed or even to recipients of benefits. However, it does take into consideration the age, nationality, legal residence, previous war record, family status, and duration of unemployment of the applicant, in so far as the state of the labor market permits.

[7] The penalty may be reduced to two weeks. See p. 54.
[8] The penalty may be reduced to two weeks.
[9] The number of unemployed who have this difficulty is given on p. 119.
[10] The number of unemployed who have this difficulty is given on p. 120.
[11] See p. 121.

The exchange must observe absolute neutrality,[12] especially in wage questions or in labor disputes. In case a legal trade agreement covering wages exists, the placement office may only recommend people to positions that pay as much as the minimum wage. The exchange requires employers to give notice of the beginning and termination of labor disputes, and empowers trade unions to do so. It may give information concerning positions made vacant by strike or lockout only if the facts of the dispute are told at the same time. It may not give special attention to one employing or labor group to the neglect of others. Special services to particular types of industries or occupations may only be rendered through branch offices which are established for that purpose.

The exchange also tries to combat unemployment. It authorizes payment of railroad fare to any place in Germany out of the unemployment insurance funds when acceptance of a job depends upon such aid and the position warrants it.[13] It may pay a leader to accompany a group of persons whom it is sending to another locality, if success in placing them hinges upon their adjustment to the strange community.[14] When it is not advisable for a worker's family to accompany him to a distant position, all or part of the additional family allowance granted to an unemployed person of his status may be paid to his dependents while he is employed away from home. The exchange may furnish the worker with tools or other equipment and special clothing, when they enable him to take a job. It may grant a supplement to his wage for as long as eight weeks when he transfers to an occupation which requires time for the acquisition of expertness.[15] It may help a person to take vocational training or reëducation. It may do so by sending him into a regular class or into special short courses, specifically designed for the unemployed.

The exchange may request the *Reichsanstalt* to limit placements in a given region, in order to control bidding for seasonal agricultural

[12] Question as to membership in an organization is forbidden, except when the trade union has a legally recognized agreement in the community which the employment service must respect in sending help, or when assistance is rendered a private exchange that only handles labor for members of certain employers' associations.

[13] This aid does not include round trip or commuters' tickets.

[14] This policy is only adopted when there are no available workers in the place where the jobs are open.

[15] Wages plus the additional allowance may not exceed the usual remuneration for the job. The grant alone may not amount to more than one and one-half the unemployment benefits which he last received.

workers.[16] It may supervise the placement of German workers in other countries and of foreigners in Germany. It may, in times of crisis, require employers to report vacancies, when so directed by the Minister of Labor.[17]

The *Reichsanstalt,* in exercising its placement functions, supervises and controls private employment agencies. Non-fee offices are allowed to charge a nominal sum to cover bare costs of placement, but may not show a profit. They may not receive support from any political party or organization. They are required to report periodically. They may be incorporated into the public exchange or closed when they duplicate its services. New ones require permission before they may open. Fee agencies also fall under the supervision and control of the *Reichsanstalt.* They must report regularly until December 31, 1930, when they are to be abolished. Their privilege to exist may be revoked before that time at the discretion of the *Reichsanstalt.*

II. Vocational Guidance

The placement section of the local, district, and central offices of the *Reichsanstalt* is responsible for vocational guidance. Counsel must be given with consideration of the person's physical and mental qualifications, his interests, his family situation, and the state of the labor market. It must be non-partisan and free of charge. Counsel to women is to be given by women, as a rule. Wherever possible, special branch offices for them are to be provided.

The vocational guidance service tries to reach as many young people as possible. About four or five months before the end of the academic year questionnaires are given to pupils who are planning to leave school at the end of the term. They concern the young person's choice of occupation and are to be filled out with the assistance of parents or teachers. Meanwhile, wherever possible, occupational opportunities and requirements are presented in the class room, and special vocational

[16] To prevent dislocation of the labor supply in the communities which they have deserted and the increase of idleness caused by search of work without sufficient assurance of a definite job.

[17] Only establishments employing more than five workers are included. Only jobs held by members of the health or salaried employees' insurance funds are reportable. Agricultural workers and domestic servants are excluded. Openings made available through strike or lockout are not counted. Certain districts or occupations may alone be covered. The power is not made use of at present. The purpose of the Act is to gain the coöperation of the employer rather than to compel it. The clause has been carried over from the days of demobilization and stabilization and is retained in reserve for possible use in a crisis.

lectures are conducted for pupils and their parents. In some localities this vocational preparation is carried on with great activity and success. There is need and demand for it, because industrialization has modified the former German tendency to have the child follow his father's occupation.

Actual vocational counsel is given in the local labor office, or branch office. Vocational guidance within the school itself is strictly forbidden. The school teachers do not possess special knowledge of the labor market, and conflicting counsel is to be avoided. The well-developed vocational office [18] utilizes information which can be secured from the school doctor. It may have a physician attached to its own staff.[19] It may offer the services of the psychologist and psycho-technician. It has detailed information concerning occupational opportunities in the locality and at a distance, the requirements of the job, and the facilities for training.

The juvenile is advised to enter an apprenticeship wherever possible. This usually lasts three years. The vocational office stresses the value of apprenticeship in spite of the progress of industrialization and "rationalization." It does so because it expects the demand for the skilled worker to continue or to increase. The reason for this is that Germany anticipates finding her markets through the production of many lines of goods and of specialties that require a high degree of skill in their manufacture.[20] Many types of industries are also finding apprenticeship a valuable training for the semi-skilled. Even mass production calls for certain numbers of highly trained workers.

During the period of apprenticeship, the vocational guidance office exercises no control over the individual nor over the conditions of his service. Some supervision is provided by various employers' associations. These prepare tests of fitness which are to be taken at the end of the period of apprenticeship. They sometimes invite the coöperation of the vocational guidance authorities in this task. In general, apprenticeship seems to work well in the large, well-managed concerns, or in small communities where the young person is placed out to service

[18] Practice varies according to the needs and equipment of the locality.

[19] The physician is not called upon to examine the young person after placement, or upon reapplication to the exchange when he changes occupation. His medical supervision is then left to the industrial physician or to the doctor attached to the health insurance fund.

[20] "Rationalization" in Germany does not primarily connote speeding up and standardization of the product. In this process she generally assumes that she cannot compete with the United States. The Germans say that "rationalization" may serve to create better products rather than more of them. To this end, perfection of skill is as important as elimination of waste, coördination of industry, or financial coördination. In such a scheme it is anticipated that the need for skilled workers will increase.

with an individual master-worker. In small factories or shops, or in those devoted exclusively to a few simple lines of goods, the master may exploit the apprentice for two and one-half years and try to drive him to qualify for the test in the six months remaining to his term of service.

The largest group of juveniles served by the vocational office are those who leave school at the age of fourteen. Generally they are graduates of the *Volksschule*. Increasing effort is being made also to serve pupils from schools of higher rank. Vocational counsel is given to unemployed adults whose trades give promise of long-continued or permanent over-supply of labor. It is estimated, on the basis of previous experience, that at least 300,000 persons will annually request vocational counsel from the public exchanges. About 40 per cent of the boys and 30 per cent of the girls who leave school are expected to apply.

The vocational guidance service coöperates with the schools giving continuation and vocational reëducation courses.[21] These special classes are developed to a high degree in some cities. They give post-apprenticeship courses for employed minors, and trade training to persons who are out of work. Some opportunity for vocational reëducation is provided the unemployed, though this program presents difficulties. If it is highly successful and not carefully adjusted to demands of the labor market, it may help to overcrowd another occupational field.[22] This result is likely to occur in countries where loss of markets for their products and long-continued, excessive unemployment have supplied occupations with labor to the saturation point.

The *Reichsanstalt* supervises private, non-fee, vocational guidance. Counsel is not so regulated when given by a technical or professional association to prospective members of its own group. All other vocational guidance is strictly controlled. Political party organizations are forbidden to offer vocational counsel. Guidance for which a fee is charged is prohibited.

III. Unification of Insurance and Placement

The unification of insurance and placement under the *Reichsanstalt* seems to give fairly general satisfaction. Most employers and workers approve of the system because control rests mainly in their hands. The

[21] In communities which provide the latter facilities.

[22] Little has been done in this respect in Germany, though the law of 1927 provides for vocational reëducation. The difficulties above suggested were found in Austria, where the system of vocational reëducation was so successfully practiced that it was strongly opposed by the trade unions in some of the occupations for which the persons were reëducated. Effort was therefore directed toward promoting a higher degree of skill in the person's chosen vocation.

local governments are largely relieved of the financial burden of assistance to the unemployed,[23] and therefore accept the arrangement.

Doubts, where expressed, have usually come from advocates of a separate system of employment exchanges. Their argument runs somewhat as follows: Placement may be too deeply influenced by the necessities of insurance. The employment service can only secure the employer's coöperation when it gives the job to the best qualified person; but the insurance office wants to see its clients placed. This may result in a clash between the interests of placement and the immediate demands of the insurance system. The insured person's legal claim to benefit may affect the character of applicants to the exchanges. A proportion of them will look upon benefits as money owing them, and will abuse the system, preferring insurance to work. Their number may not be large, but may be sufficient to require an attempt to discover fraud. This may inject the detective spirit into a service designed to serve the unemployed.

The unification of insurance and placement may, however, promote efficiency in both. Reporting required for receipt of insurance should tend to increase the numbers and types of workers available through the exchanges.[24] As a result, the employers may come to use its services with greater frequency. The number and variety of positions listed should therefore increase materially.

The answer is at present conceived to lie in the personnel of the local, district, and central offices. It is believed that an adequate corps of highly trained and experienced workers should be able to individualize the problems of applicants for positions and thereby strengthen allied services. It is expected that the use of case-work methods in all of the work of the labor offices should raise it from mechanical routine to constructive assistance. The problem is whether the German government has the money and the vision to practice the policy of securing a high-grade and adequate staff to man the offices throughout the entire nation.

[23] This is not wholly true, since they pay one-fifth of the emergency unemployment allowances and since public charity must care for those who have exhausted claim to assistance from unemployment funds. However, one criticism made of the Act is that it does not sufficiently challenge the local authorities to combat unemployment.

[24] Particularly with the elimination of the "necessitous condition" qualification.

CHAPTER IX

VALUE-CREATING UNEMPLOYMENT RELIEF

One outstanding feature of the Act of 1927 is the incorporation of the previously established principles of productive unemployment relief, whereby the effort is made to meet unemployment through work. Such public works are designated as "value-creating unemployment relief." Under the present system a person who would otherwise be receiving unemployment benefits, emergency allowances, or public charity may be given employment upon relief works. Support is therefore provided from these three sources. The *Reichsanstalt* grants money (*Grundförderung*) for works that employ persons who are eligible to unemployment benefits.[1]

When persons are given jobs on public works instead of charity, the poor law authorities are expected to furnish the money.[2]

In addition to *Grundförderung,* loans from federal and state funds, (*verstärkte Förderung*)[3] may be granted to enterprises conducted by municipalities under the supervision of the *Reichsanstalt.* They may

[1] See p. 35.

[2] Work substituted for emergency unemployment allowances is supported from the special funds allotted by the government and by the local authorities. These two types of enterprises are under the supervision of the *Reichsanstalt.* Shortly after the Act of 1927 went into effect the *Reichsanstalt* and the public charitable officials came into conflict over the matter of jurisdiction over relief works. The situation arose where certain individuals, who for a time had been eligible for unemployment benefits and who were no longer entitled to such aid, became necessitous and unprovided for. The public charitable officials, upon whom the burden of their care fell, began to promote public works on a larger scale than they had hitherto attempted. (See p. 40.) They tried to spread work among as many persons as possible. Consequently they employed those whom they assisted for a period of some months and then laid them off to make room for others. The result was that a person so hired for three or six months became eligible again for emergency allowances or for unemployment benefits. According to the terms of the Act of 1927, however, a person or agency providing temporary employment designed to create eligibility to unemployment benefits or emergency allowances must bear the costs of such assistance. To meet this issue executive orders, issued on March 29, 1928 (*Reichsgesetzblatt,* Pt. I, p. 126), allocate to the public charitable agencies the financial responsibility for public works that employ persons who would otherwise require poor relief.

[3] See p. 35.

be made if the Minister of Labor, the central office of the *Reichsanstalt,* or a district labor office approves. They are allowed only in cases where grants from unemployment funds amount to three marks per man per day of work performed. The supplementary sum is expected not to exceed 12 and may not under any circumstances exceed 15 marks per man per day's work. The loan must be less than 80 per cent of the total costs of the enterprise. Repayment at interest is to be made within 15 years.[4]

Grants to private enterprises are absolutely prohibited by the Act of 1927. Experience with loans to private undertakings between 1920 and 1927 was so unsatisfactory that the only solution seemed to lie in their abolition.

The person employed upon relief works has again the status of one engaged under the terms of free contract. There are exceptions, however. The task is usually limited to three months, though it may be extended to six. The district labor office may fix an upper wage limit or decide which one of a number of legally established wage rates shall obtain. It must be able to do so, because the wage agreement for some occupations may be substantially higher than that paid for similar labor in the same locality. This is particularly true of unskilled work in construction, where wages are relatively high because of the seasonal nature of the task. The labor office must also have discretion in setting rates for persons who are put to work at jobs which pay wages higher than those to which they are accustomed. It would be an anomalous situation if a man were able to increase his normal earning power by employment upon relief works. Moreover, an unemployed person may not refuse such a job because the rates are lower than those to which he is accustomed.[5]

Pflichtarbeit, which is the work that may be required of the minor in return for unemployment benefits or of the adult who is given emergency allowances, is entirely separate from value-creating unemployment relief. The main purpose of *Pflichtarbeit* is not the creation of economic goods, but the physical and moral effect of regular performance of labor. It may constitute a test of willingness to work. It is intended to be used as an instrument of control, discipline, training, and maintenance of character and capacity to work during the period of unemployment. For this reason it is limited to the juvenile and to

[4] The interest rate is usually 4 per cent, though, in exeptional cases, 3 may be accepted.

[5] Even though he could decline it on such terms if it were offered by a private employer.

the person usually so long out of a job that he has exhausted his claim to relief. It is carefully restricted to work which would otherwise not be performed at all or not performed at that particular time. It includes only enterprises that are designed to promote the common welfare. It must benefit the persons assisted and be adapted to their ages, health, and family circumstances. It must not hamper their prospects for regular work or for subsequent advancement.

Choice of enterprises to use for *Pflichtarbeit* is difficult. Work that is interesting and has occupational possibilities is likely to be carried out under any circumstances. To assign a person compulsorily to such a task would be simply to displace a laborer who would ordinarily be hired through the regular channels.[6] Useless labor such as setting juveniles to cleaning school windows that are immediately bedaubed savors of the treadmill. Work that is too heavy or too monotonous loses its educational character and may have the unfortunate result of fostering hatred of labor instead of habits of industry.

Only a few cities have developed really successful methods of providing *Pflichtarbeit*. These communities have recognized that the main purpose of the work is educational. They have carefully chosen, planned, and supervised the enterprises. They have divided the unemployed into fairly small groups and have kept juveniles and adults apart. Boys have frequently been set to work to help public officials, and girls have cared for children.

In Hamburg and Düsseldorf the unemployed juveniles are divided into groups of about 15 or 20 persons and are placed under careful leadership. Their most successful work has been grading and laying out recreation grounds and school gardens. The Berlin Home For Unemployed Juveniles in the Prenzlauer Berg district has made constructive use of *Pflichtarbeit* by combining opportunities for work with vocational training and recreation.[7] Attention to pedagogical principles has been a contributing factor in success.

Throughout its entire experience in stimulating public works, Germany has distinguished between those enterprises undertaken by the unemployment insurance authorities, with or without inducement of special loans, and those undertaken by the local, state, or national government irrespective of aid from the unemployment funds. The extent and effects of the latter are not known. It cannot be determined how far they have been timed to meet crises of unemployment.

[6] Cases in point are street cleaning and repairing or the removal of snow.

[7] See Magnus, Dr. Erna, *Werkheime für Erwerblose Jugendliche;* Deutsches Archiv für Jugendwohlfahrt, Berlin, 1927, F. U. Herbig.

German opinion concerning value-creating unemployment relief demands that the work be genuinely productive. At the same time it must not encroach upon the field of undertakings which would be pursued irrespective of any unemployment situation.

Enterprises may be genuinely productive although a private firm cannot be found to conduct them. There are productive enterprises that are not profitable.[8] Public works may comprise useful and necessary undertakings that cannot command the required capital.[9] To meet this situation value-creating unemployment relief allows for productive utilization of funds.

In practice, value-creating unemployment relief funds are not granted to towns that can or will undertake the same enterprise without assistance. To supplement in such cases would be to violate the policy of granting aid only to such undertakings as are an extension of, or in addition to, the normal program. A fine point of distinction arises in trying to determine whether a community should finance public works by increasing taxes or obtaining loans rather than asking for grants from the *Reichsanstalt.* Wherever possible it is highly desirable that the community develop under its own initiative. On the other hand, refusal of a grant may cause the town to borrow unwisely. This policy is particularly dangerous if the municipality has floated excessive post-war loans abroad.

Not all types of enterprises lend themselves to the productive unemployment relief program. German experience has shown that they should be limited to undertakings that utilize many people and spend a comparatively small proportion of funds for materials. Wherever possible they should stimulate production in private enterprise, thereby furthering opportunities of outside employment. Under ideal conditions they should not tie up capital for long periods of time because the funds of the *Reichsanstalt* must be readily available for the unemployed. They must meet the needs of many kinds of workers.

Value-creating unemployment relief has been most successfully conducted in land reclamation and improvement, the draining of swamps, the regulation and improvement of waterways, and the building of dams. The disadvantage of these projects arises from their inaccessibility to the great cities, where the largest numbers of unemployed

[8] Building a road serving large traffic demands is a case in point.

[9] German towns, for example, have certain obligatory functions, among which is that of supplying gas, water, and electricity. A locality may need gas works and know that it will have to build the plant within five or ten years. It may, nevertheless, lack money to do so during a period of unemployment.

are to be found. The value is consequently lessened when it becomes necessary to provide transportation and shelter for the persons employed. Street and road making are also productive, if they serve to meet the needs of growing traffic requirements. Their utility obviously depends upon the degree of their subsequent use, and they are not *per se* productive. Furthermore, on all of these forms of work it is difficult to employ any appreciable number of clerical workers.

Building and construction enterprises, which are frequently recommended, call for high expenditures for materials. The building of dwelling houses as productive unemployment relief is not entirely satisfactory because it usually does not create further opportunities for employment. It also tends to tie up capital for technically unproductive purposes for extended periods of time. Germany has separate funds for financing the building of dwelling houses, so that this activity does not generally lie within the province of the unemployment authorities. How far the program of housing construction under these funds should be reserved for periods of business depression, is difficult to determine. When funds are available for this purpose it is questionable whether the pressing shortages of domiciles should be prolonged in order to make construction coincide with periods of business depression.

Homes for agricultural workers have been included in the plans for productive unemployment relief because they help attract unemployed Germans to farm work. It is to be noted, however, that the program for their construction does not allow for intensive activity during particular times of stress, but calls for even distribution of building over a period of years. Moreover, the work is not reserved for the dull winter season when construction lags. This gives rise to the question whether the opportunities in this respect have been fully exploited. It may nevertheless be true that the severe weather conditions during the winter make it impractical to utilize productive relief to assist building trades workers in slack seasons.

Germany is now beginning to experience difficulty in finding suitable value-creating relief works. During the eight or nine years in which she pursued an active program of public works, the most obviously appropriate enterprises have been completed. Relief works have played an important part in giving impetus to a nation-wide program for meeting unemployment. Whether they can continue to offer large opportunity is doubtful. In some localities the program of public works has well nigh caught up with the demand. Other cities that have suffered excessive and long-continued unemployment have borrowed

heavily for years for public works. In some cases they are so encumbered with debt that they cannot or should not negotiate further loans, even from the unemployment insurance funds.

Value-creating unemployment relief works cost more than unemployment benefits. In the simplest type of public works—the improvement of land for cultivation—only about one-third of the money expended goes for remuneration of the worker. His wages must be set higher than his benefits would be, in order to induce him to work. The enterprise, therefore, costs about four times as much as it would to give simple relief to the same number of unemployed. In projects requiring greater skill the outlay is higher.[10] The additional cost sometimes arouses opposition to public works. Criticism is bound to arise when the undertaking seems unnecessary or is thought to lie within the province of private effort.

Opposition to value-creating unemployment relief fails to take into account the beneficial effect upon the individual who would otherwise be unemployed. It is self-evident that almost any type of work is better than idleness. Some go so far as to say that even the poorest type of task is preferable to insurance benefits without work. Employment upon public works is a good test of the individual's willingness to labor.[11] It should help to maintain his morale and his working capacity. Where unemployment is of long duration, therefore, value-creating unemployment relief works are considered highly useful even though the expenditure per individual far exceeds payments for benefits.

Steady, full-time employment on public works for as long as three to six months gives positive assistance to the unemployed. Unless a person is released for a position in private industry, he should probably not be discharged from public works in less than three months. However, it is better to release him before he has worked three months in order to make room for others, than to stretch occupational opportunities by unduly short shifts or brief tasks. Employing fewer persons full time and paying them off is preferable to splitting up a day's job

[10] See Syrup, *Arbeitsmarkt und Arbeitsmarktpolitik in Deutschland,* p. 32, in 38 *Sonderheft zum Reichsarbeitsblatt.*

[11] For example, during the first quarter of 1928 Bavaria offered employment upon value-creating unemployment relief works to 1,153 people. Of this number, 178 worked for a considerable period of time, 436 refused to work, and the rest kept the positions for a short time. The savings in benefits resulting from their denial to persons refusing to work was estimated at 100,000 marks, while the *Grundförderung,* for these works required 42,000 marks. (From Mleineck, Clara, "Aus der Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung," *Soziale Praxis,* 1929, XXXVIII, p. 283.)

among several people. Too great discrepancy between paid working time and daily effort expended in reaching the job, and in waiting one's turn frustrates the purpose of productive unemployment relief.

Value-creating unemployment relief can meet the problems of but a small proportion of those who are out of work. At the end of August of 1928, only 5.6 per cent of the applicants to the exchanges were employed in value-creating unemployment relief works, while 90 per cent were unemployed.[12] Therefore, if it appears that the period of unemployment for an individual is to be comparatively short, insurance benefits seem preferable to public works. Productive unemployment relief may then be reserved for those who are long idle.

The worker may present obstacles to the value-creating unemployment relief program. If he has been unemployed for some time he may have lost his habits of industry. The temporary and practically compulsory nature of the work does not offer incentives comparable to those in normal employment. The worker's dominant motive may be to make the task last as long as possible. If he is unaccustomed to the work, his performance is bound to be lower than that of an individual who is trained to the task. If he requires special clothing or tools they add to the costs of production. The work must be suitable to the physical capacity of the person employed. People accustomed to indoor occupations cannot be expected to perform satisfactorily heavy outdoor, manual labor. If the person fears that the task will unfit him for his trade or calling or lower his occupational standing he approaches it with indifference or resentment.[13]

Despite the effort to avoid the situation, the attempt to give the worker acceptable wages and conditions of labor may create difficulties. A man who is employed on relief works at the trade agreement rate may prefer them to his previous occupation, if wages in the latter are lower. Unless precautions are taken the higher rates on nearby land-reclamation projects designed for the unemployed may attract the more poorly paid agricultural labor away from the farms. In such enterprises, townspeople are preferred because unemployment is worst in the cities. Also, one objective in land reclamation is to induce some of the urban workers to remain in the country after their employment on relief

[12] The other 4.4 per cent were trying to change their jobs.

[13] It has been suggested that public works hire a certain proportion of their labor on regular contract. Mixing them with the unemployed might strengthen the morale of the latter. This has not been attempted and is not permitted by the Act.

works is over. Some of the workers on these projects, however, are taken from the district, and it is difficult to return them afterwards to farm work.

The cost of value-creating unemployment relief in comparison with private enterprise is difficult to determine. Data are meagre, but persons who are in a position to give opinion doubt whether the costs exceed those of the average private establishment of similar nature. There is probably special expense in the high labor turnover. Yet the more nearly value-creating unemployment relief reaches its goal, the greater will be the turnover. The aim is to stimulate employment and to return the person to his own occupation as speedily as possible. The measures of success are not the same as those of private undertakings. Against the cost of such works must be balanced not only the test of willingness to work, insurance benefits saved, enterprises actually carried out, and economic goods created, but such imponderables as assistance in revival of the labor market and conservation of labor power and morale.

CHAPTER X

FINANCIAL ASPECTS

The high rate of unemployment in Germany creates a serious problem of financial support for relief measures. An effective system of assistance to the unemployed must make adequate provision for funds. The main support of the unemployment insurance system has been delegated to industry by the Act of 1927; but the state has an important interest in the financial soundness of its administration. The sources of these funds and the uses to which the money is put illustrate the problems of provision for unemployment assistance.

Sources of Income. The *Reichsanstalt* began operations on October 1, 1927, with 107 million marks, or about $27,000,000 left from the reserve fund created under the unemployment relief orders of 1924.[1] During the first year of operation it received 828 million marks,[2] or $207,000,000, as shown in the table on page 82. Of this sum, nearly 798 million marks, or almost $200,000,000, were contributed by employers and workers as 3 per cent of wages. A further 30 million marks, or over $7,000,000 came from miscellaneous sources, mostly from returns on loans to value-creating unemployment relief works.

The $27,000,000 to which the *Reichsanstalt* fell heir was not intended for current expenditures, but was to be kept as part of the national reserve fund. This reserve was to be strengthened through allocation to it of a definite proportion of the 3 per cent contribution of wages.[3] It was expected to attain sufficient size to insure at least 600,000 unemployed for three months, a condition which required a minimum of approximately 145 million marks, or slightly more than $35,000,000.[4]

To provide elasticity in flow of income[5] the 3 per cent rate may be lowered for districts showing a favorable balance after adequate re-

[1] See pp. 26, 27.

[2] Exclusive of funds contributed by the federal government and the states for value-creating unemployment relief works.

[3] The decision that 3 per cent of wages could meet current expenses and care for the reserve was determined as a result of the survey of July 2, 1926. See pp. 29, 30.

[4] See Weigert, O., *Kommentar,* p. 353. Dr. Weigert estimates that the average expenditure for an unemployed person is 75 marks a month.

[5] See p. 49.

INCOME AND EXPENDITURES OF UNEMPLOYMENT INSURANCE FUND, OCTOBER 1, 1927–OCTOBER 1, 1928, WITH NATIONAL RESERVE FUND ACCRUED AND EXPENDITURES FOR EMERGENCY UNEMPLOYMENT ALLOWANCES [a]

(In millions of marks)

Month	Income [b] from			Expenditures for Unemployment Insurance				Net Carried Forward to National Reserve Fund [c]	Amount in the National Reserve Fund on First Day of Month	Governmental Expenditures for Emergency Unemployment Allowances [d]
	Contributions of Employers and Workers	Miscellaneous Sources	Total	Administration [e]	Unemployment Benefits	Measures to Prevent Unemployment	Total			
1927:										
October	57.5	1.7	59.2	5.5	19.8	1.7	27.0	32.2	107.4 [f]	7.8
November	64.9	1.7	66.6	6.2	29.4	2.6	38.2	28.4	121.7	10.1
December	68.4	2.2	70.6	7.1	73.1	2.1	82.3	–11.7	148.2	15.2
1928:										
January	64.9	2.9	67.8	7.4	106.1	1.6	115.1	–47.3	147.5	16.1
February	62.1	2.2	64.3	6.8	99.8	2.1	108.7	–44.4	89.1	15.6
March	67.8	2.4	70.2	7.4	101.3	4.1	112.8	–42.6	47.9	10.9
April	61.6	5.5	67.1	6.7	64.4	4.1	75.2	– 8.1	11.3	19.8
May	65.6	1.9	67.5	6.5	50.6	3.1	60.2	7.3	1.9	11.1
June	70.9	2.0	72.9	6.7	48.7	3.6	59.0	13.9	10.2	10.2
July	69.7	2.5	72.2	7.0	42.3	3.3	52.6	19.6	27.2	7.5
August	73.9	2.9	76.8	6.5	44.5	3.8	54.8	22.0	47.1	7.0
September	70.5	2.7	73.2	7.9	45.5	4.3	57.7	15.5	70.1 [g]	7.4
Total, first year of operation	797.8	30.6	828.4	81.7	725.5	36.4	843.6	–15.2	...	138.7

[a] *Reichsarbeitsblatt*, 1928, No. 36, II. pp. 580, 581.

[b] Exclusive of sums granted for emergency unemployment allowances or subsidies made by the national government and the states for value-creating unemployment relief.

[c] Minus sign indicates an excess of expenditures over income.

[d] From funds contributed by the public treasury to emergency relief. None of this money is contributed by employer or worker.

[e] Including administration of emergency unemployment allowances and of value-creating unemployment relief.

[f] This reserve remained from the funds of the Unemployment Relief Orders of 1924.

[g] Excess of income over expenditures continued during the month of September, 1928, so that the reserve reached 89.1 million marks by October 1. On November 1 of that year it amounted to 108.7 millions. By December 1, it began to show the effects of winter unemployment and dropped to 97 millions. By spring of 1929 nearly 150 millions had to be borrowed from the federal treasury to meet the deficit in the unemployment insurance funds.

serves are assured to the *Reichsanstalt*. Reduction in rates is only allowable in districts which have piled up a surplus for three consecutive months. The more favorable terms are expected to encourage efficiency in the administration of unemployment funds. This policy is viewed with apprehension in some quarters. Some fear that instead of stimulating careful management of unemployment funds, it may promote unwise economies in their distribution.[6]

Reduction of rates is limited to districts and is intentionally not extended to individual employers or special industries. Germany is of the opinion that gradation of contributions according to the risks of industry produces negligible results in controlling unemployment. It is admitted that such a policy might help to regularize certain types of seasonal unemployment or stimulate employers to discover and practice schemes for stabilization within their own establishments. Gains in one plant, however, are thought to be made largely at the expense of increased fluctuations in employment in other establishments, as long as the problems of trade fluctuations remain unsolved. A sliding scale of contributions is considered futile to stem the tide of unemployment arising from technological changes in industry.[7] The attempt to grade contributions in order to induce the employer to eliminate or reduce unemployment is thought to result from fallacious analogy between unemployment and industrial accident. The latter is an exact event the cause of which can be traced with comparative ease and can be subjected to mechanical control. In addition, the accounting and administrative costs incidental to an attempt to grade contributions according to risks are deemed prohibitive.

The Act of 1927 does not provide for increase in rates of contribution beyond the 3 per cent level. If the income and the reserves fail to cover necessary expenditures, grants to the unemployment fund are to be allowed from the national treasury. This plan, it is feared, may result in the transfer of a certain degree of control over unemployment insurance to the Ministry of Finance. Should this occur, it is expected that care would be given to the necessitous rather than to those who are eligible to insurance. The strength in the provision lies in the incentive it offers the *Reichsanstalt* to make the plan work on the 3 per cent contributions and to avoid exceeding the budget.

[6] The question is as yet hypothetical, since the required national reserve fund has not yet been created.

[7] In 1921 the German miners requested that they be excluded from a system of unemployment insurance on the ground that they would never have a poor market for their product and would consequently never experience unemployment.

During the fall of 1927, total income exceeded expenditures. The reserve rose to 148 million marks. By January of 1928, the situation was reversed. The expenditures for the first three months of that year were more than the income.[8] By May the reserves had dropped to a little over a million marks. Then the fund increased until it reached 163 million marks by the end of October. After that it fell sharply. Only the summer excess of income over expenditures made it possible to carry the unemployment insurance system over the winter peak of unemployment. The heavy, recurring demands of the winter season had kept the fund drained of a stable reserve. This situation forced the issuance of special, temporary orders to meet the particular problem offered by the seasonal worker.[9]

Expenditures for the first year of operation of the Act of 1927, exclusive of grants for value-creating unemployment relief, amounted to 980 million marks, or about $245,000,000. An additional 122 million marks, or $30,000,000, was granted from the *Reichsanstalt* and the national treasury for public works. The total sums expended for the unemployed during the year exclusive of state grants to public works, therefore, amounted to $275,000,000. This money was spent as follows:[10]

Use for which spent	Percentage of total expenditure
Unemployment benefits	57.89
Maintenance of contributions in other social insurance funds	7.80
Benefits to the partly employed worker	0.12
Grants for the purpose of creating employment opportunities	14.31
Emergency unemployment allowances	12.57
Administration	7.31
Total	100.00

Of the total amount expended, 842 million marks or over $210,000,000 represented contributions of employers and workers and were paid out for unemployment benefits, preventive measures, and administration.

[8] Although as complete returns as possible are secured for each month, there is often delay in forwarding funds or reporting expenditures, so that the monthly balance is not so important as that for a season or a year.

[9] See pp. 98-101.

[10] *Reichsarbeitsblatt*, 1929. *Beilage zum No. 6. Erster Bericht der Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung*, p. 56.

The payment of benefits[11] amounted to 725 million marks, or $180,000,000. It required 58 per cent of the total outlay or 85 per cent of the contributions of employers and workers. With this sum standard benefits were paid to 80,000 persons during the most favorable month of the year, and to 228,000 during the least favorable.[12] These beneficiaries comprised from 3 to 5 per cent of those insured against unemployment, or from 0.9 to 2.2 per cent of the entire population. They had families for whom supplementary allowances were granted from the $180,000,000. Their dependents numbered 449,000 on November 15, 1927, and did not fall below that figure throughout the year. They totaled 1,673,000 on January 15, 1928.

At first benefits were payable to these persons for periods of time ranging from a few days to a year. However, after July 15, 1928, the time was limited to 26 weeks within a 12-month period.[13] The majority of those aided by the $180,000,000 received assistance for less than three months. In the months ending December 15, 1927, and February 15, 1928, 78 per cent of the entire number of persons had received benefits for 13 weeks or less. April 15 gave the most unfavorable showing for the year, having only 51.2 per cent of its assisted in this group. The number of those who received assistance for more than three and less than six months ranged from 12.8 to 42.4 per cent. From 5.2 to 18.6 per cent were aided even longer. They included a small group, 1.4 to 6.1 per cent of the total, whose assistance continued for at least nine months and from that up to a year. The evidence bears out the contention of those who say that the present 26 weeks' provision is ample to care for most of the really insurable cases and therefore represents the acceptable maximum duration of eligibility.

[11] The German system varies from pure insurance in (a) the variations of benefits between its wage classes, and (b) the supplementary allowances for dependents. The gradation of benefits from 75 per cent of the representative wage in the lowest to 35 per cent in the highest wage class has two purposes. It aims to offer maximum assistance to workers in the lower wage classes compatible with maintenance of their incentive to work. It scales down the proportion of benefits to wages in the higher wage classes in order to reduce costs. A higher rate in the upper wage classes is expected materially to increase costs and is therefore opposed by workers and employers. Supplementary family allowances recognize legitimate family demands. They are granted by other social insurance schemes.

[12] Data concerning recipients of unemployment benefits may be found by referring to Appendix A.

[13] The allowance of more than 26 weeks of benefits was granted as a transition measure to those who were carried over from the unemployment relief system.

The recipients of these $180,000,000 fell mainly within the fourth to eighth wage classes.[14] The three lowest groups comprised less than 10 per cent of the total. They were mostly apprentices and women home workers with few dependents. The ninth wage class included 8 or 9 per cent of the monthly quota. From 12 to 14 per cent fell within the two highest categories. About one-third of the women aided were in the three lowest wage classes, and three-fifths within the first four. Classes one through five included about four-fifths of the women and less than one-fourth of the men.[15]

Expenditures for preventive measures comprise the second item in the budget. For this purpose 36 million marks, or about $9,000,000, were spent out of the contributions of employers and workers during the first year of operation of the law. The schemes were so numerous and of such wide variety that they were not tabulated separately. For the most part they entailed granting small sums to persons whose ability to secure a job depended upon some slight, special aid. They involved considerable individualization of the applicants.[16] They included grants from insurance funds for value-creating unemployment relief works.[17] All of these benefits and miscellaneous services were available to the unemployed person from contributions comprising 78 per cent of the weekly wages bill of the insured.

Administration comprised the third item of expense. For this purpose 80 million marks, or $20,000,000, were paid out between October 1, 1927, and October 1, 1928. This money provided for the local, district, and central offices of the *Reichsanstalt.* In addition to the administrative work involved in paying benefits, the $20,000,000 covered the costs of placing from 462,000 to 665,000 persons monthly.[18] This sum provided vocational counsel for about half a million people.[19]

[14] Established by the Act. (See p. 58.)

[15] Between 6,000 and 8,000 partially employed workers were assisted from the $180,000,000 during specific weeks for which we have record. Their benefits were scaled according to the number of days lost. As the table on p. 84 shows, the sum granted partially employed workers was not relatively great. However it represented a genuine service to those individuals.

[16] For description of preventive measures see pp. 68, 104, 105.

[17] *Grundförderung.* See p. 35. Loans granted through *verstärkte Förderung* did not come from unemployment insurance funds, but from the national treasury and the states.

Persons employed upon value-creating unemployment relief works are not included in statistics of recipients of unemployment benefits.

[18] See pp. 121, 122.

[19] Data for the year ending June 30, 1927, the last available, showed that 426,092 persons sought vocational counsel at the public exchanges during that year. Of these, 169,672 were placed in positions; 155,948 were apprenticed;

It also included creation and management of preventive measures and of value-creating unemployment relief. It cared for administration of emergency unemployment allowances.

Administrative expenses amounted to a little over 7 per cent of the total expenditures for the unemployed during the first year of operation of the act. On a month-to-month basis they fluctuated according to the volume of service rendered. This rate compares favorably with the English system, in which expenses up to 12.5 per cent of its annual income are to be borne by the unemployment insurance fund,[20] and all above that amount are carried by the state. The favorable comparison with the British standard is partly due to Germany's utilization of the health insurance system for collecting contributions and also to the inclusion of a large program of public works in the total figures.[21] The English system, however, does not support the placement or vocational guidance services. The first year of operation of the law of 1927 was perhaps not wholly typical, as all of the existing employment exchanges were not incorporated into the *Reichsanstalt* until the first of October, 1928.

The expenses of administration may be expected to become fairly stable. The proportion to total costs should ultimately vary with the outlay for benefits and emergency unemployment allowances and for preventive measures. A high percentage of expenditures devoted to administration may represent good guidance and placement, the elimination of needless unemployment, or favorable business conditions.[22] High administrative expenses, *per se,* do not indicate favorable labor conditions; neither do they offer a clue to efficiency in management.

12,454 were guided into vocational schools; and 1,270 continued in high schools on the basis of advice given them. Expansion of this service is to be expected under the law of 1927.

[20] Great Britain, *Report* of the Unemployment Insurance Committee, 1927, Vol. II, p. 2. Since 1922, administrative expenses in Great Britain have remained below the 12.5 per cent limit.

[21] If funds for value-creating relief works contributed by the national treasury be excluded, administrative costs for the year 1927-28 total 8.5 per cent.

[22] The rise and fall of administrative costs in proportion to total expenditures is apparent in the recent data on unemployment relief. In 1924, when there was much unemployment, administrative expenditures were 9 per cent of the total budget for unemployment relief. In 1925, a more favorable year, they rose to 11.6 per cent. In 1926, when the number of assisted unemployed exceeded two million persons in one month, administrative expenses dropped to 4.6 per cent of total costs. The return of better conditions in 1927 caused them to rise to 8.6 per cent. In 1928, April had less unemployment than January or February and the percentage of expenditures charged to administration was higher.

Expenditures for emergency unemployment allowances totaled 138 million marks, or about $34,500,000.[23] During the first year under the Act of 1927, these funds were granted to between 80,000 and 225,000 unemployed people monthly, and to their dependents numbering from 90,000 to 274,000.[24] From 31,000 to 247,000 of the persons receiving emergency allowances had worked 13 but less than 26 weeks during the previous year. The others, numbering 41,000 to 87,000 monthly, had exhausted claim to standard benefits.

These persons received allowances for periods ranging from a few days to more than a year. About half were assisted for three months or less and fully 90 per cent for less than half a year.[25] Sixty-six per cent of the women and 47.5 per cent of the men aided on July 15, or over half of all recipients of emergency allowances, fell within wage classes IV and VI established by the law. Comparatively few men and almost no women belonged to the highest wage classes. From 8,000 to 21,000 persons who would otherwise have received these allowances were employed each month upon value-creating unemployment relief. Between 2,000 and 12,000 were set to work upon *Pflichtarbeit.*[26]

Emergency unemployment allowances create a certain amount of alarm among persons who are interested in the successful operation of the unemployment insurance system. Granted originally to meet the crisis of 1926, emergency allowances are permitted by the present Act if executive orders empower their grant for crucial situations. Such orders have been continuous since the inauguration of the Act. Now the elimination or reduction of allowances is difficult. Clear cases of injustice through denial of this special form of relief occur; but the 26 weeks' grant of standard benefits covers a large majority of unemployment situations. If recourse to emergency allowances is too easy, and the period of eligibility for their receipt is too long, the entire system of unemployment insurance may be undermined and expansion may exceed the bounds of sound fiscal policy.

The heavy expenditures for 1927-28, totaling over a billion marks if value-creating unemployment relief measures be included, showed the difficulty of building up a permanent reserve. During the spring and

[23] Of this sum, four-fifths was contributed by the *Reich* and one-fifth by the localities. For terms of receipt of emergency unemployment allowances, see p. 57.

[24] See Appendix A.

[25] Before October 1, 1927, such aid could be extended for a year. After the inauguration of the new Act, allowances were at first limited to 13 weeks, but those already on the lists were continued upon the old basis. Subsequent orders extended the duration of aid to 26 and later to 39 weeks.

[26] See pp. 74, 75.

summer income exceeded expenditures, but winter unemployment depleted the fund. The danger of this situation was seen to lie in the unpreparedness for serious business depression. The test came early in the second year of operation of the Act.

During January and February of 1929, weather of a severity unknown for decades augmented unemployment. The ground was solidly frozen. Outdoor employment was seriously crippled. Shortage of coal necessitated curtailment of industrial operations. The buying power of persons thrown out of employment was reduced and the falling off of demand for goods cut employment opportunities still further. Over three million persons applied to the exchanges for work. Two million six hundred thousand persons received unemployment benefits or emergency unemployment allowances during the most unfavorable month.

The excessive drain on the unemployment insurance funds, but a little more than a year after the establishment of the *Reichsanstalt,* placed a severe test upon the unemployment insurance system. Nearly 150 million marks, or about $35,000,000, had to be borrowed from the national treasury. The unemployment insurance system showed that its facilities were sufficient to meet the situation, but its funds were not ample enough. The necessity for borrowing showed that until a strong reserve was built up the method of financing the system was inadequate. The curtailment of benefits to seasonal workers had not been in operation long enough to eliminate their special drain upon the reserves.

While the sum of 150 million marks seems large, it must be compared with the grants for the employment exchanges and allied services made under the unemployment relief orders of 1924. Under that system, just before the Act of 1927 went into effect, the federal treasury, during the first three quarters of 1927, paid 84 million marks,[27] and the localities, 134 million marks for unemployment relief.[28] This was in addition to the regular, compulsory contributions of employers and workers. The necessity for borrowing under the present system, therefore, merely indicates the need for experimentation before a sound actuarial basis that can cover unforeseen eventualities can be determined. It does not mean that the system itself is faulty.

Whether the reduction of aid to the seasonal worker will suffice to build up a reserve fund adequate for the demands of future cyclical depressions is yet too early to determine. Effort is being expended in that direction before attempting to raise the 3 per cent contribu-

[27] Including 50 million marks turned over to the *Reichsanstalt* on October 1.

[28] Mleinek, Clara, "Aus der Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung," *Soziale Praxis,* 1929, XXXVIII, p. 279.

tions. The sum that can be demanded from industry for unemployment insurance is restricted by the existence of other forms of social insurance.[29] Expenditures for social insurance, exclusive of unemployment insurance, amounted to 3,657,100,000 marks or $914,000,000 in 1927. The addition of unemployment insurance to this sum ran the total up to about a billion and a quarter dollars. The entire wages bill was around 40 billion marks. The cost of social insurance, including unemployment insurance, therefore represented about 15.5 per cent of the wages.[30]

This rate seemed high, and in some quarters affected the attitude of industry toward unemployment insurance.[31] In some occupations insurance costs far exceed the average. The most conspicuous example is offered in mining. This is an over-expanded industry, gradually decreasing its number of active employees. Its workers are superannuated at middle age. Consequently there is a high percentage of recipients of benefits in proportion to paying members. Inflation has resulted in depletion of their capital reserves. Since the active members must carry the inactive, the rates for social insurance in this group are exceptionally high. The 3 per cent of wages required for unemployment insurance represents a heavy additional tax.[32] Moreover, the costs of social insurance are not the only burdens of aid which industry must help to bear. One-third of the present taxes in cities of over 25,000 inhabitants goes to poor relief.[33] There is strong opposition, therefore, to any increase in the rate of contribution to unemployment insurance, and pressure to make the 3 per cent work.

[29] See footnote, pp. 23, 25, 92.

[30] Health insurance took about 6 per cent; invalidity and old age insurance, 5 per cent of the wages of laborers and 4 per cent of the remuneration of salaried employees; accident insurance, including protection against occupational disease, 1.4 per cent; and unemployment insurance, 3 per cent. Of the 15.5 per cent of wages so utilized in 1927, about 8 per cent was carried by employees and 7.5 per cent by employers. *Deutsche Sozialpolitik, 1918-1928. Erinnerungsschrift des Reichsarbeitsministeriums,* 1929, pp. 200-201.

[31] The burden of payments in the forms of insurance which have been longer established are heavy because the funds lost their capital of about three billion marks through inflation. While the reserves are being rebuilt, the rates are likely to be somewhat higher than the necessities of safety would require in a well established fund.

[32] Another example of the interdependence of unemployment and other social insurance rates is found in the predictions concerning old age insurance. It has been estimated that by 1945 about 14 per cent of the German population will be over 60 years old, because of the high birth rate between 1870 and 1912 and its subsequent sharp decline. As a result it is expected that the active working group will have to carry a disproportionately large inactive one. The result upon its ability to carry other forms of insurance is hard to estimate.

[33] See p. 109.

CHAPTER XI

UNIFICATION AND AUTONOMY

The *Reichsanstalt*, created by the Act of 1927, differed from established governmental bodies in its unity and autonomy. From the local labor office to the Berlin headquarters it was to be unified, but not centralized. The former method was held to provide local and district organizations with adequate power and responsibility for the tasks within their province and to leave to the central office matters of interrelationship and the general formulation of policies. Centralization was not desired for fear of endangering the initiative of local bodies. Also excessive power was not to be given to persons who were divorced from contact with actual placement and payment of benefits. Autonomy was to be secured through independence of local or state political units. Districting was to be purely functional.

This unified and autonomous mechanism seems to be operating with a minimum of internal friction. The administrative committees, the salaried executives and employees, and the boards of reference of local, district, and central offices appear to be working efficiently and to be coöperating. Representatives of employers, workers, and the public take their tasks seriously. Working relationships with other organizations, however, offer interesting problems.

Functional relationship between unemployment insurance and the placement service has been secured by integrating the two. While doubt has sometimes been expressed concerning the benefits of the union with the employment exchange,[1] it is generally believed that the placement service is actually strengthened by fusion with the insurance system.[2] Certainly every policy that enlarges the contacts of the exchange increases the demand for its services by both workers and employers. Undoubtedly unemployment insurance profits from the alliance.

[1] It has mostly arisen in highly developed local units, which have found it difficult to become a part of a federal system and to adjust themselves to different administrative procedure.

[2] This seems to agree with the English experience, although the British system of coöperation between insurance and placement is less close than in Germany.

Successful working relationships have been achieved with the other forms of social insurance.[3] Economy and simplification of procedure result. The older forms of social insurance are accepted. Registration in the unemployment insurance fund is probably, therefore, fairly complete. Evasion is difficult when all funds are so closely coördinated that a central registration system virtually results.

The system also reduces the cost of collecting contributions. When a person is insured in the health and unemployment insurance funds his employer sends payments for both simultaneously, thus minimizing clerical work. Duplication of benefits is also practically eliminated, and with it much of the possibility of receiving assistance in excess of the amount stipulated in the unemployment insurance law.[4] This fact materially reduces the temptation to remain idle and to draw benefits. All of these economies represent savings in administrative expenses and more efficient service.

[3] The scope of unemployment insurance has been determined on the basis of the occupational classifications for membership in the health and salaried employees' systems. The classes are not identical, for unemployment insurance comprises only about four-fifths of those insured against sickness.

The extent of the system of social insurance may be seen from the figures below showing membership in the various types of social insurance in Germany in 1927. (*Reichsarbeitsblatt,* 1928, No. 13, Pt. II, p. 214.) These give the membership of the different funds, but not the data relative to dependents who are cared for. The statistics in many cases overlap, as one person may be insured against sickness, unemployment, accident, and old age. By 1928, the figures for unemployment insurance had increased by about 800,000 over the figures here given.

Type of insurance	Number of persons insured (in millions)
Accident	22.25
Invalidity and old age	18.00
Sickness	20.50
Miners'	0.80
Salaried employees'	2.80
Unemployment	16.40

The services which the insurance fund offers to workers and their families are extended to approximately 60 per cent of the total German population. (Syrup, *Arbeitsmarkt und Arbeitsmarktpolitik in Deutschland,* p. 11. 38 *Sonderheft zum Reichsarbeitsblatt.*)

[4] In the German system, a recipient of unemployment insurance is not entitled to other forms of social insurance and vice versa. This is not true in England. As a result the latter country has experienced difficulty because a person may draw benefits from several different funds. It is therefore nearly impossible for the state to check the amount of a person's income or his need of benefits. Germany thinks that a more constructive policy lies in making adequate payments through a single insurance channel than in paying out sums from several different and uncoördinated sources.

Coöperation on the part of the insurance funds also serves the unemployed person. His payments to other forms of social insurance are made by the *Reichsanstalt* during his receipt of unemployment benefits or emergency unemployment allowances. This policy appreciably enhances the services rendered by all forms of social insurance.

Although the various social insurance systems coöperate, present opinion opposes their fusion. Reluctance to unite them is evident from the fact that the older forms of social insurance have remained independent. Even the subordinate divisions of the health insurance system retain their identities, probably because there is vitality in their separate organizations. Differences in their problems probably help to perpetuate historical divisions. The logical units set by conditions are, perhaps, observed in order to encourage efficient administration. The argument for separateness seems particularly cogent in the case of unemployment insurance because of the fusion with the employment exchange. German opinion favors close functional relationships between the different forms of social insurance, but not their unification.

Problems of coöperation in administration also arise between the unemployment insurance system and public poor relief.[5] On the whole, the two systems maintain close and effective working relationships,[6] though some situations create a certain amount of friction. Recipients of unemployment benefits who must seek additional assistance through poor relief,[7] have sometimes added greatly to the burden of the public charitable agencies.[8] The problem involves definition of responsibility and assumption by the insurance system of as many cases as possible. This it is doing. Another problem of coöperation between the two systems approaching favorable settlement concerns value-creating unemployment relief works.[9]

The administration of emergency unemployment allowances is another situation on the border line between insurance and charity. These allowances require tests of eligibility for both insurance and poor relief. The person must be able and willing to work and involuntarily unemployed. He must have worked in a compulsorily insured occupation. These standards are best tested by the labor exchanges.

[5] Administered under the Federal Public Welfare Act (*Verordnung über die Fürsorgepflicht vom* 13 Februar, 1924).

[6] See p. 40.

[7] See pp. 108, 109.

[8] This occurred notably at the very time the new law was heralded as a great improvement upon previous methods of dealing with those out of work.

[9] See p. 73.

The person must also be necessitous. Proof of this condition carries analysis into the field of social work. It is a question how far the labor exchange should duplicate or how far it can utilize the procedure of social agencies.

Probably the majority of those who have claim neither to unemployment benefits nor to emergency unemployment allowances are not able or willing to work. They may, however, be victims of unusually unfavorable conditions in the market for their types of skill. The jurisdiction over these cases lies with the charitable agencies. Workers in those organizations are expected to be skilled in individualizing cases. Their knowledge of the labor market, however, is usually limited.

The handicapped person offers another borderline problem. If he is capable of earning at least one-third of what a normal worker of the same training and general status can make, he falls within the jurisdiction of the insurance system. A wide range of capacities must be dealt with by the employment exchanges. Sometimes persons falling well within the supervision of the insurance system would be better cared for by the charitable agencies. Since both types of authorities are trying to return the unemployed to normal working conditions as quickly as possible, they usually find common meeting ground in all these cases. Another field of coöperation lies in placement and vocational guidance. These services attempt to individualize the applicant and to utilize the social agencies' information concerning him. Such coöperation is common in some labor exchanges and is expected to spread.

Necessity of adjustment sometimes arises because of the difference in organization of poor relief and the exchanges. Poor relief is local and decentralized.[10] This situation does not result merely from historical development and local jealousy. After the war and inflation there was a marked tendency toward financial centralization of poor relief. Then there was a return to local administration in order to encourage economy in management of funds and to promote individualization of services. Therefore, in questions involving policy formulation, public charitable agencies usually act locally. Insurance measures, on the other hand, are national. Some conflict in point of view may arise in consequence. However, members of the public charitable agencies are often chosen to represent municipal interests on the administrative committees of the labor exchanges. This gives them opportunity to voice their problems and to affect national insurance policy.

[10] However, there is a growing tendency toward centralization in its administration.

The Reichsanstalt coöperates with industry. The representation of employers and workers upon the administrative committees of the local, district, and central offices gives influence to both sides in industrial questions. The result is widespread understanding and coöperation on the part of trade unions and employers. Trade union insurance and placement, where not already abandoned in favor of support of the public system, are fast giving way to it. The only unemployment insurance scheme managed by industry which has survived inflation [11] is granted special exemption in the Act of 1927 because the terms of its charter require it to carry unemployment insurance for its workers. Branch employment exchanges deal with special types of labor, and employers are expected to turn to them more frequently as their efficiency increases. Representatives of labor and of the employers should gain a wider knowledge of the labor market, placement, vocational guidance, preventive measures, and public works, as well as contribute their special information and points of view.

The experiment in formation of this entirely new type of administrative body seems highly satisfactory. It follows the trend toward unification of authority and consolidation of local political units everywhere apparent in Germany. Its emphasis upon industrial and functional rather than upon geographical or historical and political divisioning promises efficiency. It bids fair to show that a body organized with a single objective can maintain sound working relationships with other administrative divisions or groups with which it has to deal. It offers new possibilities of coöperation between labor, employer, the political authorities, and the general public on problems of their mutual concern. Its brief period of operation is too short to prove the worth of these promises; but the experiment deserves the wide interest which it has created.

[11] That of the Carl Zeiss Foundation.

CHAPTER XII

PROBLEMS

The administration of the Act of 1927 has not been without its problems. For some of them a satisfactory solution seems already to have been found. Others tax the ingenuity of those who are responsible for carrying out the law or lie on the fringe of the entire system of unemployment insurance, conditioning its operation.

Eligibility. One problem to which considerable attention is being given concerns the interpretation of the articles defining eligibility to benefits. The tests of ability and willingness to work, though carefully set forth in the Act,[1] give rise to controversy. The refusal of a job offered by the employment exchange may not always indicate unwillingness to work. An involved family situation, for example, may cause a woman to decline a particular type of position when she would gladly take another. Similarly, a man may reject work for reasons that seem cogent to him, though technically he may not be allowed to do so.

The provision that a person must take any work offered after nine weeks of unemployment provided it does not delay the return to his own trade or calling introduces many questions. The purpose is obviously the encouragement of any kind of suitable work in place of long continued idleness. However, active enforcement of the rule sometimes encounters serious opposition from workmen who would rather hazard prolonged unemployment than accept a lower wage or a lower occupational classification and the possibility of remaining therein for the rest of their working lives. Their fears on this score are apparently not entirely unfounded, for while some employers seem willing to hire them subsequently at their previous ratings, others are not. Changes from one occupation to another are not customary and often entail a loss of status.

Some kinds of work, however, are likely to be overcrowded permanently or to cease altogether. Under such circumstances transfer to a position offering lower wages and status is preferable to idleness. Vocational reëducation for a position requiring similar or higher skill than the one the worker has lost necessitates careful planning. He must be cared for while taking the training. There must be a demand for the

[1] See pp. 53-55.

work. He and his fellow workers who are unemployed must not be directed to the second occupation in such numbers that they overcrowd the field.

The article in the Act which penalizes quitting a position without justifiable cause also presents problems. Objective tests of justifiable cause are hard to set [2] and are incapable of exact definition. For this reason the four weeks' forfeiture of insurance may be reduced to two, when the situation seems to warrant such a course of action. However, the wisdom of this exception has been much discussed. Some persons raise the objection that the two weeks' clause permits evading decision as to whether a person should or should not receive the penalty of four weeks' forfeiture of benefits. Others assert that it enables discrimination between degrees of non-compliance with the law. They maintain that the four weeks' penalty is so severe that the absence of the milder sentence would frequently result in failure to impose any punishment at all.

A further section of the Act that requires interpretation contains exceptions to the rule that eligibility arises through 26 weeks of work within 12 months. The qualifying clauses allow extension of the one year period to three.[3] The provision has a sound social purpose but may permit abuse of the insurance system. Nearly anyone can find 26 weeks of work within three years. The exemptions hardly conform to the avowed purpose of the law to confine insurance to those able and willing to work. Moreover, they tend to complicate the determination of the boundary line between regular and casual labor, although the latter is separately treated in the Act.

Questions involving interpretation of the foregoing clauses are being carried to the boards of reference and court of appeals. Rules and decisions are being made. The future effectiveness of the law on these points depends largely upon the attitude of these boards.

A problem which loomed large concerned the eligibility of those who were indirectly unemployed because of industrial disputes. Those workers directly involved in strikes or lockouts were definitely excluded from insurance by common consent. The state could not take sides in industrial disputes. The employer could not agree to the support of these workers through unemployment insurance funds. The

[2] For detailed discussion of the provisions and difficulties of these clauses, see Weigert, O., *Kommentar*, pp. 250-256, 266-269. Dr. Weigert suggests, for example, that justifiable cause for leaving work may be resignation with the expectation of securing another position. See also decisions of the Court of Appeals appearing frequently in the *Reichsarbeitsblatt*.

[3] See p. 52.

trade unions preferred to pay strike benefits and thereby to hold their members. However, refusal to accept employment in an occupation where there was dispute was not construed as evidence of unwillingness to work. Benefits were, therefore, denied only during the existence of the conflict and not upon its termination.

Agreement concerning treatment of unemployment indirectly caused by industrial disputes was not so easy a matter. Loss of benefits under these circumstances was admitted at times to entail "unreasonable hardship." Yet what constituted "unreasonable hardship" was a question upon which the *Reichstag* could not agree. Therefore, that body, in passing the Act of 1927, left solution of the matter to the *Reichsanstalt*. The task was extraordinarily difficult, but a solution satisfactory to both employers and workers was finally reached.[4]

The Seasonal Worker. An even more difficult question—that of the seasonal worker—taxed the ingenuity of the *Reichsanstalt* and the Ministry of Labor for over a year. Winter unemployment, which was a regularly recurring phenomenon, drained the national reserves built up during the summer.[5] The unemployment insurance system had been

[4] The formula agreed upon is that denial of unemployment benefits to persons indirectly out of work as the result of a strike or lockout occurring within Germany does not constitute an unreasonable hardship in the following cases: 1. If less than 14 days of unemployment indirectly caused by industrial dispute elapse. Included within these 14 days is the waiting period. 2. If the persons thus indirectly thrown out of work stand to gain directly by the outcome of the dispute. An example in point is the possibility of increase in the legal wage rate for the entire occupational group as an outcome of the conflict. 3. If the payment of unemployment benefits may exert an influence upon the outcome of the dispute. The close technical interrelationship of different occupations makes it possible to plan a strike or lockout with the intent of effecting many more persons than those directly involved. Under these circumstances, unemployment assistance to closely related occupational groups may well have undue influence upon the dispute. 4. If some of the workers or salaried employees of an establishment are unemployed because part of their number strike, or are locked out. If, however, workers are unemployed because salaried employees or foremen strike or are locked out, the administrative committee of the labor office may decide whether unreasonable hardship obtains. 5. If unemployment indirectly results from the failure of the supply of electricity, gas, water, or of partially or wholly finished products because of strike or lockout. This provision is included because of the possibility of the extraordinarily widespread effects of disputes in basic industries. In all other cases the decision as to whether unreasonable hardship obtains is expected to depend upon whether or not the awarding of unemployment benefits effects the outcome of the dispute. Administrative orders of March 27, 1928 (*Reichsarbeitsblatt*, Pt. I, p. 97) and April 26, 1928 (*Reichsarbeitsblatt*, Pt. I, p. 163). See also Weigert, O., *Neue Vorschriften über Arbeitsvermittlung und Arbeitslosenversicherung*, pp. 69-81.

[5] See p. 82.

designed for persons whose loss of work was unexpected, infrequent, and of short duration. The funds were being used up for regularly recurring and prolonged idleness. The 78 per cent of one week's wage entitled entire groups of unemployed workers to benefits lasting several months and ranging from 35 to 75 per cent of their wages. In consequence the reserve was kept in a precarious state. No money could be set aside for future cyclical depressions. Either the maximum contributions from wages allowed could not be expected to provide unemployment benefits in crises, or exceptions had to be made for the seasonal worker. The difficulty was intensified by the fact that the seasonal worker was usually paid more than the person of corresponding skill in an all-year-round occupation. Custom and the minimum wage (*Tarifverträge*) had set comparatively high rates in order to compensate for the recurring periods of idleness inherent in the job.

Before the passage of the Act of 1927 the seasonal worker had received relief only when he was necessitous. He had usually not required assistance. His wages had tided him over slack seasons, or he had found temporary work at lower remuneration, returning to his trade when it picked up. The Act of 1927, however, in granting benefits in proportion to wages, often gave the seasonal worker more than he could earn outside his usual occupation in slack seasons. Furthermore, since work used as a filler placed him temporarily in a lower wage category, he hesitated to accept it, lest he again become unemployed and have to accept benefits calculated on the lower wage scale. He therefore had every incentive to remain idle.

This situation created unrest among other workers. The farm laborer, who was paid much less than the city worker, was particularly resentful. He saw persons who, before 1927, had worked side by side with him, live all winter on benefits which were higher than his wages.

The financial burden of seasonal unemployment and the dissatisfaction which its inclusion in the insurance system caused among other workers called for exceptional consideration. Protection more nearly commensurate with the contributions which these workers made had to be devised. Taking away privileges already granted, however, was not a simple task.

The problem was intensified by lack of clear definition of seasonal occupations. In the building trades, the work of masons and roof builders was seasonal, but plumbers could be employed the year round, and unskilled persons were supposedly able to take jobs in other trades during slack times. It was questionable whether an individual could be

considered a seasonal worker when he could go from one type of industry to another. Furthermore, in the construction industry there was at that time a shortage of skilled workers.[6] The clothing trades, employing mostly skilled or semi-skilled workers, were markedly seasonal. The greatest sufferers from winter unemployment, however, were found by the statistical department of the *Reichsanstalt* to be the unskilled day laborers who changed from job to job.

The Act of 1927 contained three provisions which permitted control over the seasonal worker. The duration of eligibility to benefits could be reduced by the administrative council of the *Reichsanstalt*. The waiting period could be lengthened. Benefits could also be refused a seasonal worker who rejected work outside his regular occupation although he had been unemployed less than nine weeks.[7]

The prospect of winter unemployment in 1928 caused the Reichstag to pass a temporary measure creating special terms for the seasonal worker.[8] The measure was followed by administrative orders from the *Reichsanstalt*.[9] A detailed list of seasonal occupations was made,[10] the beginning and termination of their seasonal character being set at December 1 and March 31. Persons working in these occupations for more than half the 26 weeks preceding unemployment were considered seasonal workers. They were to be eligible to benefits for only six weeks [11] during the customary slack period in the industry. During the rest of the year their claim to benefits was to be the same as that of any other worker. If they did not exhaust their title to six weeks' benefit between December 1 and March 31, the rest of their claim was to be

[6] This arose from two causes. Before the war building-trades workers had migrated to Germany from other countries, mainly Italy, while in 1927 that country was keeping her skilled men at home. Also, because there had been little construction during the war and immediately thereafter, German labor had entered other occupations.

[7] The Employment Exchanges and Unemployment Insurance Act of 1927, Art. 99, par. 3; Art. 110, par. 3, no. 2; Art. 90, par. 3.

[8] *Reichsgesetzblatt,* 1929, Pt. I, p. 1. *Reichsarbeitsblatt,* 1928, Pt. I, pp. 281-285.

[9] *Reichsarbeitsblatt,* 1929, Pt. I, pp. 5-13.

[10] These occupations were classified according to industry as follows: 1, agriculture, gardening, forestry, animal husbandry, and fishery; 2, peat-cutting and preparation; 3, stone and earthen industries, including stone and marble cutting, brick and pottery making, and plastering; 4, building and construction; 5, transportation; 6, unskilled, day labor; and 7, engineering occupations in stone and earthenwork, and in building construction. Occupations not considered seasonal were listed in these industries as well as those so classified.

[11] Instead of the customary 26 weeks.

the same as the unexpired eligibility of any insured worker. Seasonal workers who exhausted their title to benefits were to be assisted through a special relief fund of 35 million marks which was established for the purpose. Four-fifths of the sum was contributed by the national treasury and one-fifth was taken from the reserve fund of the *Reichsanstalt.* The conditions for receipt of assistance from this special fund were similar to those of the granting of emergency unemployment allowances,[12] except that they were to be given for only half as long.[13]

The Agricultural Worker. The agricultural worker presents another set of problems in the administration of unemployment insurance. Attempts to better labor conditions tend to increase the existent discrepancy between the desirability of industrial and agricultural work and to augment the "flight from the land." Even during peaks of industrial unemployment, immigrant labor is hired for the farms. These seasonal, migratory farm laborers number annually at least one hundred thousand. They are mostly Poles, with lower standards of living than obtain among Germans. A certain proportion of them stay, thereby increasing the pressure of population.

The unbalanced situation between industry and agriculture is intensified by the tendency of industry to move to the country. There it pays higher wages than agriculture. Consequently, industrial workers in these localities who are laid off frequently draw unemployment benefits which exceed the wages of the farm laborer. Like the seasonal worker, these persons naturally prefer insurance to return to farm work. The agricultural worker becomes dissatisfied and finds further inducement to leave the farm.

To meet this situation agricultural workers are included in the unemployment insurance act, contrary to the policy in most countries. However, farm laborers are carefully exempted, if payment of contributions represents appreciable increase in their living costs without adding comparable security.[14] Of about two and one-half million agricultural workers in Germany approximately half a million are compulsorily insured. Moreover, unemployed agricultural workers may not reject work of a similar nature during the first nine weeks of unemployment without forfeiture of benefit. The utilization of value-creating unemployment relief works to build dwelling houses for agricultural workers is designed to increase the attractiveness of farm labor.

[12] See p. 57.

[13] Being experimental, the measure was to remain in force until September 30, 1929.

[14] For terms of the law respecting agricultural workers see p. 50.

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Furthermore, an attempt is made to attract unemployed industrial workers to agriculture. After the expiration of nine weeks of unemployment, the city laborer may be required to take up farm work or forfeit benefits for four weeks. However, the attempt to settle unemployed workers upon the farm is beset with difficulty. There is a tendency in Germany to regard a change of trade or occupation as a sign of social failure and the transfer from industry to agriculture as peculiarly indicative of a loss of status. Better housing accommodations in rural districts offer insufficient attractions in themselves. Persons to be sent to the farms must be wisely selected. Where the placement service selects with care the persons whom it sends to the farms, the results are much better than when it fails to individualize the case or where fee agencies fill the agricultural positions. City people seem to adapt themselves better to country life if the change is made while they are still young.

In the face of these difficulties, good work has been done by the employment exchanges in distributing unemployed industrial labor in agriculture. The decrease in the number of foreign agricultural workers annually entering Germany is largely attributable to the efforts of the placement service. In spite of the fact that much of the territory ceded to Poland is farm land, the superiority of German agricultural conditions over those in the neighboring countries to the east stimulates the desire of their nationals to migrate to Germany to work. The marked decrease [15] in foreign agricultural workers entering Germany is believed to show that German workers are remaining on the farms.

The possibilities arising from the unification of insurance and placement on a national scale are perhaps nowhere better illustrated than in the attempt to direct urban unemployed workers to the farms and to raise the level of agricultural working conditions in order to attract unemployed industrial labor to the farms.

[15] A decrease from about 400,000 annually before the war to a little more than 100,000 at present.

CHAPTER XIII

PROBLEMS—Continued

The Salaried Employee. Clerical workers and highly trained technical employees meet with unusual hardship when they become unemployed. Clerical employees are about twice as numerous as in 1907. The temporary demand for thousands of extra "*Nullen-Schreiber*" during inflation has resulted in a great oversupply of persons with more or less training in office work. Even more serious is the lack of opportunity for technically trained people.[1] The losses experienced through inflation have forced many people to earn their living who would otherwise have enjoyed independent incomes. They swell the ranks of the salaried workers.

Although unemployment among salaried employees reflects the widespread lack of occupational opportunities, it seems to maintain a somewhat steadier level than that among wage-earners.[2] It also differs from unemployment among wage-earners in its duration. About half of the insured unemployed laborers receive benefits for three months or less. Once the salaried worker has lost his position, however, he finds difficulty in securing another and usually remains out of work for a longer period of time.

It is particularly hard for the "old" salaried employee, who is over 40 years of age, to find another position after discharge. Employers want younger persons, especially for tasks requiring but slight clerical skill. Later they discharge these office workers and again hire younger ones. The situation is perhaps emphasized by minimum wage rates for salaried employees. These rates are scaled according to length of service and to age until the person is 30. Beyond that age there is no automatic salary increase. The employers blame the existing hardship of older office workers on this minimum wage. The salaried employees regard it as a safeguard and insist that it has little bearing on the unemployment of middle-aged persons.

[1] The same holds true of the professional classes. A generally low income level seems to result in a high rate of unemployment in the professions. People may be sick, but without money to consult a physician. There may not be a disproportion between teachers and children needing instruction, but lack of funds results in over-crowded class rooms, understaffed schools, and unemployment among teachers.

[2] In 1925 unemployment among salaried employees as compared with laborers, was relatively higher than during the business depression of 1926.

Comparatively few salaried employees can be given positions upon value-creating unemployment relief works. The nature of the enterprises limits the opportunity to a few clerks or technical experts upon each undertaking. Only a mere handful of salary earners were employed upon value-creating unemployment relief works during the first year of operation of the Act of 1927. The number thus employed and the type of unemployment aid that they would otherwise have received[3] is indicated below.

Month ending	Unemployment Benefits	Emergency Allowances
1927:		
Nov. 15	762	415
Dec. 15	468	301
1928:		
Jan. 15	259	180
Feb. 15	316	239
Mar. 15	470	342
Apr. 15	432	333
May 15	479	359
June 15	440	356
July 15	510	431
Aug. 15	472	449
Sept. 15	399	495
Oct. 15	326	387

Comparison of their number with the data for similar employment of wage-earners, which run into five or six figures monthly, shows a wide difference in the possibility of assistance of the two groups through these measures.

The unification of the unemployment insurance system for wage-earners and salaried employees is thought to result in inadequate attention to the needs of the latter when the administrative committees of the local labor offices are dominated by the former. Under such circumstances it is said that the salaried employees sometimes suffer because of the subtle antagonism between the two groups or because of lack of appreciation of their special problems.

The central office of the *Reichsanstalt,* however, is trying to meet the special needs of salaried employees. Employment exchanges are being systematically developed to specialize on these occupational groups. Special orders have also been issued to promote measures designed to prevent or terminate unemployment.[4] For one thing employees are frequently required to put up a bond in order to secure a position. The

[3] *Statistische Beiläge zum Reichsarbeitsblatt,* December, 1927–November, 1928.

[4] *Reichsarbeitsblatt,* 1928, Pt. I, pp. 209, 210.

sums deposited in private bonding companies are sometimes endangered by fraudulent management. The *Reichsanstalt* is therefore empowered to make loans without interest to the extent of one year's security for a bond in a private company. Another form of assistance is the granting of loans without interest to defray living expenses during unemployment and until the date of the first payment of salary in a new position.

Particular care is also given to the provision of adequate placement facilities for salaried employees. A special branch in every district labor office must be devoted to their needs. All local labor offices handling an appreciable number of salaried employees must establish special labor exchanges for them. In exchanges where no branch offices for salaried employees exist, special waiting and interviewing rooms, literature on the subject of their vocations, and additional personnel to handle their specific problems are to be provided.[5] These measures are necessary because the public exchanges have usually been patronized by wage-earners rather than by salaried employees. Improvement in the quality of service should attract clerical and technical workers to the exchanges.

Juvenile Labor. Employment among minors exhibits peculiar difficulties. The Act of 1927, unlike the previous orders, accords practically the same financial treatment to the insured, unemployed person under 21 that it does to the adult. However, apprentices are excluded from compulsory contributions until within six months of the expiration of their term of service.[6] *Pflichtarbeit*[7] and vocational education are required, wherever possible, as condition of assistance. Grant of benefits to minors is utilized to keep them in vocational classes or at work during unemployment.[8]

Plans for the unemployed juvenile include additional schooling wherever possible. They are obviously dependent upon the existing educational facilities. These have changed somewhat since the war, particularly as they affect the young worker.

It is unfortunate that some parents send their children to schools preparing for advanced academic work with the intention of taking them out at the age of 14. This is done on account of the supposedly higher social status of these schools. The child's school work is incomplete and not adapted to subsequent apprenticeship of trade training.

[5] *Beilage Zum Reichs-Arbeitsmarkt-Anzeiger,* No. 14/15, April 17, 1928.

[6] See Art. 74, par. 3 of the Act of 1927.

[7] See pp. 74, 75.

[8] It has been suggested that the services rendered them should be substituted for the payment of benefits. However, the Act does not allow for such procedure.

Often he leaves school with a feeling that manual labor is beneath his dignity. He seeks the lower types of clerical work, though he has had no special training for that either. He often crowds out those who are a little older, and at the age of 22 or 23 himself becomes an unemployment problem.

Juvenile unemployment is practically negligible in Germany at the present time.[9] There is not an oversupply of young persons in most lines of industry, trade, or clerical work. There is a positive shortage of juveniles of both sexes in agriculture. A few districts where occupations are limited to mining or to the heavy industries still experience juvenile unemployment.[10] Young apprentices who have just completed their course of training often remain unemployed for a short time because many industries prefer older workers with experience. On the whole, however, the greatly diminished birth rate during the war,[11] creates a shortage of juvenile labor which is expected to persist for several years.[12]

The problems of juvenile labor in Germany are being analyzed by the vocational guidance service. In coöperation with schools and with family service agencies the vocational counselors are seeking to assist individuals and to improve the general situation. Special courses are offered to improve the qualifications of vocational counselors themselves. The enhanced facilities offered by the *Reichsanstalt* promise to contribute to the solution of some of the problems of juvenile employment.

Women Workers. The woman worker offers certain peculiar problems. The curve of unemployment among women is a little different from that of men. In general it is relatively somewhat higher than that of the men in summer, and slightly lower in winter.[13] Female unemployment is negligible in agricultural regions. In the districts devoted mainly to the heavy industries it remains proportionately smaller than

[9] It rose to great proportions immediately after the war, again upon stabilization, and once more in 1926. It dropped during the middle of 1927 and has since remained low.

[10] Young persons from mining regions have been sent to the agricultural sections of East Prussia. This, however, has not been possible since the summer of 1928, and a future shortage of juvenile farm labor in that section is anticipated.

[11] See Appendix B.

[12] However, the lengthening of the period of capacity for work among adults and the growing number of women in industry offset the shortage of juveniles in so far as the general employment situation is concerned.

[13] Ehlert, Margarete, *Die Frau auf dem Arbeitsmarkt, Jahrbuch für Frauenarbeit,* Vol. 3, February, 1927.

that of the men. In Berlin and Saxony, however, where there is much home work, it is greater.[14]

Women workers, for the most part, fall within the lower wage classes set by the unemployment insurance act. On April 15, 1928, for example, three-fourths of the 143,022 unemployed women in receipt of standard benefits were included in the four lowest wage classes,[15] and only one-eighth of the 666,726 men were found in those groups. The first five wage classes included four-fifths of the women and less than one-fourth of the men.[16]

Women workers today are more favorably situated than before the war. They are included within the trade agreement minimum wage rates (*Tarifverträge*), and the remuneration of unskilled workers is tending to approach that of the skilled.[17] A great number of the unemployed women are home workers, who represent, in part, the marginal supply of labor utilized for the seasonal demands in the clothing trades.[18] When they are seasonal workers they create the special problems of that group already enumerated except that they are not better paid than persons in non-seasonal occupations. The woman engaged for hourly service presents another administrative question. If her work is part-time or casual she hardly belongs in the present unemployment insurance system.

The unemployed woman, like the salaried employee, finds little opportunity[19] in value-creating unemployment relief works. Only 33 women were so employed, as against 60,479 men at the end of February, 1928. In March of that year the number of women was 50, and of men, 82,579; while in April they were 231 and 86,761, respectively.[20]

A matter that has caused considerable discussion in Germany concerns the woman who is the second wage-earner in the family, the so-

[14] It is calculable because home workers are included within the unemployment insurance law.

[15] For wage rates according to classes see table on p. 58.

[16] *Reichsarbeitsblatt,* 1928, Pt. II, p. 249.

[17] Real wages of unskilled workers have about reached and those of skilled are about 90 per cent of their pre-war level. *Deutsche Sozialpolitik,* 1918-1928, p. 103.

[18] According to the *Hausarbeitsgesetz* of December 20, 1911, and the *Heimarbeiterlohngesetz* of July 27, 1923, home workers receive the protection of inclusion within the minimum wage, compulsory arbitration and insurance laws.

For further material upon the special problem of the home worker in Germany, see Benjamin, Dora: *Der Stand der Heimarbeit in Deutschland,* Jena, 1928; Fischer Verlag; also Lüders, Else: *Neue Aufgaben des Heimarbeiterschutzes,* in *38 Sonderheft zum Reichsarbeitsblatt.*

[19] See table on p. 104.

[20] *Reichsarbeitsblatt,* 1928, No. 19, Pt. II, p. 319.

called *Doppelverdiener*. Before 1927 certain executive orders sought to restrict or eliminate the woman worker in public service whenever there was another wage earner in the family. Concerted effort to exclude the *Doppelverdiener* has not been made in local, state, or national government service. There has been sufficient discussion of the question, however, to cause unrest among some types of women workers and to threaten hardship in individual instances.[21] The argument for such a course lies in its supposed value in releasing positions for male workers. It presumes that the women's earnings are unnecessary to the support of the family when a man works. Effort is not made, however, to discourage the second male wage earner. The matter lies rather in the realm of discussion than of action, because public opinion is largely unfavorable. The present excess of adult women over men, and their need for earning a living, prevents adoption of a course so seriously restricting the occupational opportunities of women. Nothing has been done on this score by the *Reichsanstalt*.

The Unemployed as Charity Seekers. Although the unemployment insurance system includes all cases that are considered a sufficiently sound risk, and emergency allowances provide relief for many others, there are unemployed individuals who must seek charity. Some of them receive inadequate benefits, inasmuch as rates of insurance are based upon wages. Those who are on the margin even when fully employed must frequently seek poor relief when they lose the difference between wages and the insurance rate, even though the latter be liberal.

In Frankfurt am Main, for example, public charity rates, which are based on minimum needs of existence, range from 50 marks monthly for a single person to 135 marks for a married couple with four children.[22] How much below these figures the insurance rates fall may be seen by reference to the table on p. 58. In that city standard

[21] See Glass, Frieda: *Der Weibliche Doppelverdiener in der Wirtschaft, Jahrbuch für Frauenarbeit*, Vol. 3, 1927.

[22] According to *Die Arbeitslosenversicherung und Erwerbslosenfürsorge*, August, 1927, pp. 232-238, in Frankfurt A. Main in 1927, the standard rates of poor relief (exclusive of rent, which would add approximately 15 marks in each case) were as follows, in marks:

Single person	50
Married couple	75
Married couple with:	
1 child	90
2 children	105
3 children	120
4 children	135

insurance benefits to single persons in the first five wage classes[23] are below poor relief rates. A person below the eighth wage class, if married, will not receive as much as the public relief budget allows. Only the three highest wage classes are as well off, if they are married and have one or two children, as if they were recipients of charity. For those with three children only the two highest, and for those with four only the highest wage class, equal the rate granted to paupers. The situation is worse if the blanket allowance for rent is taken into consideration.[24]

Other unemployed persons who must be aided by poor relief have not fulfilled the conditions of eligibility. They must take their chances of assistance not only with the paupers, but with ex-soldiers, war widows and orphans and persons who are penniless because of loss of independent means or of invalidity or old age pensions[25] during the inflation. While many of the unemployed who seek public charity are necessitous for reasons that are not primarily due to unemployment, some of them are genuinely able and willing to work.

Limitations of Unemployment Insurance. Danger of abuse of the unemployment insurance system by the insured individual is frequently advanced as a further problem. Evidence on the matter, however, is exceedingly difficult to secure. Individual instances are recounted in which persons have given up their positions or have refused work because of expectation of unemployment assistance. The hope of receiving insurance may occasionally carry weight in the decision to relinquish a job for the sake of a temporary "vacation" in the summer. Complaints of such cases, however, seem mainly to be directed against the unemployment relief provisions operative before October of 1927.

[23] Which, however, contain few adult males.

[24] In January, 1928, Frankfurt granted supplementary aid in the form of rent to 3,078 persons out of 13,580 recipients of standard unemployment benefits or emergency unemployment allowances. Their dependents were given school meals, special maternity aid and other extra assistance. Ten per cent of the recipients of unemployment benefits or allowances were given supplementary financial aid.

[25] The private philanthropic agencies have also been without funds since the inflation. The burden of poor relief was so serious that in 1925 a study was made of 156 cities of 25,000 inhabitants or more totaling more than one-third of the population of Germany. That year these cities spent 390 per cent more for poor relief than in 1913. One-third of their total annual budgets was devoted to the purpose, as compared with one-eighth in 1913. (*Städte Staat Wirtschaft. Denkschrift des Deutschen* Städtetages, Berlin, 1926.) Since the year 1925 was better than those immediately following, there is no reason to expect that the situation has improved. The experience of the social agencies indicates no change for the better.

The present Act appears to have eliminated much of the opportunity for evading the spirit of the regulations. Abuses may arise. The character of the local enforcement and of the poor law authorities may be such at times as to encourage the person who wishes to take advantage of the unemployment insurance act. On the whole, however, the security offered by insurance seems not adversely to influence the conduct of the regularly employed worker. He is apparently more interested in his job and in his wage rates than in the possibility of quitting for the sake of the benefits he may draw.

The employer's abuse of the unemployment "insurance system" is also charged. It is said that he releases his employees more readily than formerly, thinking them eligible to unemployment benefits. The extent of this absence of responsibility is not known.[26]

The creation of sound unemployment insurance policies through political party organizations constitutes a problem which in Germany cannot be said to approach the boundaries of abuse. In that country, thanks to the number of parties,[27] a piece of social legislation is the result of concessions and compromises. The system probably allows more flexibility than obtains under a two-party method. It offers possibility of abuse, however, as illustrated by the *Reichstag* discussions of 1928 accompanying the extension of additional grants to emergency unemployment allowances from 13 to 26 and then to 39 weeks. Nevertheless, the semi-independent character of the *Reichsanstalt,* its staff of experts, and its administration by economic groups do more than a little to counteract the dangers of political party control. This expert leadership, combined with economic checks upon undue political influence, is one of the outstanding features of the unemployment insurance act.

There yet remains the question of the limits to the state's ability to solve unemployment problems. On this subject those persons in Germany intimately connected with the operation of the unemployment insurance law are open minded. They point out, however, that individual initiative in economic matters generally provides liberal policies only for those favored by high wages or employed in establishments having sound labor policies. They question whether the system of economic voluntarism reaches persons in occupations that suffer from

[26] Similar charges are sometimes made of employers in the United States who dismiss workers too easily after subscribing to the Community Chest or to other private charitable agencies.

[27] There are some 23 parties, and seven major ones.

poor management and low pay. Should individual initiative be able to include all workers, they are ready to accord its superiority because of its great flexibility. If, however, the alternative to state assumption of responsibility to the unemployed is absence of provision for their care except in a few firms, Germany prefers her own system.

Germans recognize the limits of an insurance system for meeting unemployment. The exchanges cannot originate jobs. They can merely eliminate part of the waste resulting from lack of machinery for making contacts between men and positions. Value-creating unemployment relief can care for but a small proportion of people who are out of work. Measures for the prevention and termination of unemployment cannot create a large number of new positions. Even control of seasonal changes and of trade fluctuations may serve only to stabilize employment in one quarter at the expense of increased irregularity in another.

Back of any attempt to reduce unemployment lies the problem of disposal of goods produced. Abnormal market conditions have obtained in Germany and throughout most of Europe since the war. These countries, attempting to regain a sound economic basis, are able to develop a productive mechanism which far outstrips their ability to dispose of their goods.

Germany, therefore, in common with England, has a population far in excess of the number for whom work can be provided. The loss of man-power during the war and the declining birth rate have not compensated for the discrepancy between occupational opportunities and persons wanting employment. This situation has necessitated the development of a thorough-going system of unemployment insurance at the same time that it has created conditions with which no unemployment insurance system alone can cope. The ultimate answer must be more far-reaching, and its solution seems to lie along the lines of the development of the home market and of sound international industrial coördination.

APPENDICES

APPENDIX A

GERMAN STATISTICS OF UNEMPLOYMENT

The Act of 1927 facilitates collection of statistics on unemployment. The consolidation of placement and unemployment insurance into a national system expedites reporting. Certain data published by the statistical service of the *Reichsanstalt* are only recently available. Others have been collected for over a decade.

I. Number of Recipients as a Measure of Unemployment

Unemployment is partly measured by the number of recipients of unemployment assistance.[1] These figures do not give the total volume of unemployment, because they do not cover persons who are not legally entitled to benefits or emergency allowances. There are about 17.2 million members in the German unemployment insurance fund.[2] They comprise about four-fifths of the wage and small salary earners. Their dependents number about 13 million.[3]

Statistics of recipients of unemployment donations or benefits from 1918 to 1928 are not wholly comparable. Data were gathered only for some cities during the first months of federal assistance. The figures for 1919 are estimates. They are open to such grave question that the statistical department for the Ministry of Labor hesitates to use them and generally begins its analysis with 1920.[4]

Reporting was not compulsory until federal orders were issued on May 15, 1923, and on April 22, 1924. Regulations of the latter date required reports on the first and fifteenth of each month. From March 1, 1923, to April 15, 1924, no figures were available for the occupied territory.

Changes in the legal definitions of eligibility to benefits affected the comparability of statistics of unemployment assistance. The early orders

[1] The graph of recipients of these three forms of aid may be found on page 12.

[2] See, *inter alia, Reichsarbeitsblatt*, 1928, Pt. II, p. 532. The number remains fairly constant.

[3] Estimate made from figures by Syrup, *Arbeitsmarkt und Arbeitsmarktpolitik in Deutschland*, p. 11. Dr. Syrup, head of the *Reichsanstalt*, calculated the number of dependents of wage and small salary earners at from 16 to 17 millions. The workers and their dependents together approximated 60 per cent of the total German population, according to his statement. About four-fifths of them were comprehended within the unemployment insurance scheme; and the writer assumes that their dependents represent about an equal proportion in the working-class families.

[4] In spite of this fact and with due knowledge of the limitations of their value, figures for 1919 were included in the making of the graph on page 12, to give some indication of the peak of unemployment following demobilization.

of the Federal Office for Economic Demobilization allowed benefits to juveniles aged 14 or more. The age requirement was later raised to 16. Subsequent rules made receipt of relief on the part of persons from 16 to 18 years conditional upon specific performance such as compulsory labor or attendance upon vocational classes. The law of 1927 again comprehended all above the age of 14, with certain exceptions and reservations. The *Pflichtarbeiter* was not defined as a recipient of assistance before May 1, 1924, but was subsequently so classified. The necessitous clause limited the total group until its abandonment in 1927. Inclusions of persons unemployed through industrial disputes swelled the totals during the early period of federal measures. Changes in occupational groupings occurred from time to time. The restriction of unemployment assistance to persons able and willing to work but involuntarily unemployed involved varying definitions. The lengths of time required to establish claim to assistance and duration of benefits were construed differently throughout the decade. Partially employed workers in receipt of assistance were included within the statistics of standard benefits after October 1, 1922. Persons granted emergency unemployment allowances swelled the total of those relieved after November, 1926. Data concerning them are published separately.[5] Those employed upon public relief works are today not counted among recipients of unemployment assistance but are separately classified, although from May 1, 1924, to January 1, 1926, they were included. The total unemployment throughout the entire decade was considerably in excess of listed recipients of aid.[6]

The data on persons assisted through unemployment benefits and of the number of their dependents are published in the *Statistisches Jahrbuch für das Deutsche Reich*. According to the official figures, the number of monthly recipients of benefits during the post-war decade exceeded one million upon four different occasions. These were in the years 1919, 1924, 1926, and 1927. In 1926 it rose above the two million mark, including one in every 30 inhabitants of Germany. Toward the end of that year emergency unemployment allowances increased the number of persons assisted. For four months in 1927 and nearly three more in 1928 more than 200,000 were aided from this special fund. In February of 1929 the number assisted through insurance and emergency allowances rose to 2,600,000.[6]

During the year, October 1, 1927, to October 1, 1928, the number of persons receiving insurance per month varied from slightly more than 300,000 in October, to nearly 1.4 million in the middle of January. They represented $1\frac{3}{4}$ per cent to over 8 per cent of the persons insured.[7] The recipients of emergency unemployment relief, from March 15 to October 15, 1928, comprised from 0.5 to 1.4 per cent of the insured workers. They numbered from 1.3 to 3.4 per thousand inhabitants.

[5] The graph on page 12 includes them.

[6] Data on recipients of emergency unemployment allowances and their dependents are published annually in the *Statistisches Jahrbuch für das Deutsche Reich*.

[7] These data are published monthly in the *Statistische Beilage zum Reichsarbeitsblatt* and annually in the *Statistisches Jahrbuch für das Deutsche Reich*.

The number of adults who were assisted by standard unemployment benefits and by emergency unemployment allowances was augmented by those who were given employment upon value-creating unemployment relief works instead. Those who received this form of assistance in place of standard benefits numbered from 20,000 to 70,000 monthly during the first year of operation of the Act of 1927. Those who worked instead of receiving emergency allowances ranged from 8,000 to 21,000 a month within the same period.

In addition partially employed workers were granted benefits to compensate for days of work lost. Data covering them are not published, but the following official figures give an idea of the extent of service to them:

PARTIAL UNEMPLOYMENT COVERED BY BENEFITS IN SPECIFIED WEEKS OF 1928 [a]

Week Ending	Number of Persons Receiving Benefits				Total Benefits (In marks)
	For Three Days Lost	For Four Days Lost	For Five Days Lost	Total	
January 28	5,388	419	203	6,010	16,563
February 25	5,630	460	188	6,278	18,165
March 31	6,367	398	431	7,196	19,111
April 28	7,211	628	366	8,205	23,728

[a] Official figures from files of the Ministry of Labor.

Since October 1, 1927, special data concerning the recipients of unemployment benefits and emergency allowances have been collected. The additional information covers wage classification, age, duration of benefits or

WAGE CLASSIFICATION OF RECIPIENTS OF STANDARD UNEMPLOYMENT BENEFITS, OCTOBER 15, 1927–SEPTEMBER, 1928 [a]

(Number in each wage class as a percentage of the monthly total, for months ending on the 15th)

Wage Classes under Act of 1927	1927		1928								
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	July	Aug.	Sep.
I	1.5	1.4	1.4	1.7	1.7	1.9	2.4	2.4	2.7	2.5	1.0
II	2.5	2.6	2.6	3.1	3.0	3.0	3.4	3.5	3.6	3.6	1.7
III	4.7	4.6	4.4	4.9	5.0	5.0	5.3	5.6	6.0	5.6	3.6
IV	10.5	9.5	9.2	10.0	10.1	10.8	11.1	11.8	12.4	12.0	8.8
V	14.3	13.2	13.0	13.8	13.7	13.9	14.0	14.2	14.5	14.1	12.6
VI	16.6	15.7	15.9	16.1	16.0	16.0	15.7	15.3	15.0	15.4	27.7
VII	15.4	15.6	15.5	15.1	15.1	14.9	14.3	13.9	13.5	13.7	18.3
VIII	13.1	14.0	14.1	13.3	13.2	12.8	12.1	11.7	11.3	11.4	13.0
IX	8.8	9.6	9.8	9.3	9.2	8.9	8.7	8.5	8.5	8.8	5.0
X	5.7	6.3	6.7	6.1	6.2	6.0	6.0	5.9	5.7	6.0	3.6
XI	6.9	7.5	7.4	6.6	6.8	6.8	7.0	7.2	6.8	6.9	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[a] *Statistisches Jahrbuch für das Deutsche Reich*, 1928, p. 392; and *Statistische Beiläge zum Reichsarbeitsblatt* for June-October, 1928. Figures for October, 1928, are not available because of incomplete reporting for that month.

allowances, persons exhausting claim to assistance, and those employed upon public works. The distribution of recipients of standard benefits according to wage classes established by the Act of 1927 is shown in the table on page 117.

The distribution of recipients of emergency unemployment allowances has been published regularly since July, 1928. The figures for the last quarter of the operation of the law are given in the following table.

WAGE CLASSIFICATION OF RECIPIENTS OF EMERGENCY UNEMPLOYMENT ALLOWANCES, JUNE 15–SEPTEMBER 15, 1928

(Number in each wage class as a percentage of the monthly total, for months ending on the 15th)

Wage Classes Under Act of 1927	July	August	September
I	0.9	1.0	1.0
II	1.8	1.7	1.7
III	3.7	3.6	3.4
IV	9.2	8.8	8.5
V	13.5	12.6	12.0
VI	28.0	27.7	27.8
VII	18.2	18.3	18.1
VIII	12.2	13.0	13.3
IX	4.9	5.0	5.4
X	3.4	3.6	3.8
XI	4.2	4.7	5.0
Total	100.0	100.0	100.0

[a] *Statistische Beilage zum Reichs-Arbeitsmarkt-Anzeiger*, 1929, No. 7, Feb. 12, 1929.

The age classification of recipients of standard unemployment benefits published for three dates in 1928 are shown in the following table.

AGE AND SEX OF RECIPIENTS OF STANDARD UNEMPLOYMENT BENEFITS FOR MONTHS ENDING JANUARY 15, APRIL 15, AND OCTOBER 15, 1928 [a]

(Number in each age class as percentage of respective totals)

Age Class	Jan. 15			April 15			October 15		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
18 years or less	3.2	5.3	3.5	2.3	4.5	2.7	3.1	4.7	3.5
Over 18, through 21	12.0	14.7	12.4	11.8	13.1	12.0	13.0	12.3	12.8
Over 21, through 45	59.3	58.6	59.2	59.5	64.0	60.3	58.2	67.0	60.4
Over 45, through 60	20.4	17.6	20.0	20.2	15.3	19.3	19.4	13.4	17.9
Over 60	5.1	3.8	4.9	6.2	3.1	5.7	6.3	2.6	5.4

[a] *Reichsarbeitsblatt*, 1928; No. 7, Pt. II, p. 104; No. 16, Pt. II, p. 273; No. 34, Pt. II, pp. 550–551.

They received insurance for the following lengths of time:

DURATION OF PAYMENT OF STANDARD UNEMPLOYMENT BENEFITS, IN THE FIRST YEAR'S OPERATION OF THE ACT OF 1927 [a]

Month Ending	Total Number of Recipients	Percentage of Total in Receipt of Benefits for Specified Number of Weeks			
		13 or Less	Over 13 Through 26	Over 26 Through 39	Over 39 Through 52
1927:					
November 15	392,569	61.3	20.1	12.5	6.1
December 15	830,586	78.1	12.8	6.1	3.0
1928:					
February 15 [b]	1,290,921	78.2	16.6	3.7	1.5
March 15	1,200,271	63.0	31.8	3.8	1.4
April 15	844,890	51.2	42.4	4.9	1.5
May 15	642,180	55.8	38.0	4.6	1.6
June 15	622,165	59.0	35.3	4.0	1.7
July 15	579,763	63.8	36.2	—	—
August 15	567,720	64.6	35.4	—	—
September 15	576,498	64.0	36.0	—	—
October 15	593,589	64.8	35.2	—	—

[a] From *Statistische Beiläge zum Reichsarbeitsblatt*, December, 1927–November, 1928.

[b] January figures not available.

Standard benefits were limited by the law of 1927 to 26 weeks, and the extension to 39 weeks allowed by the Act was not granted in practice. Nevertheless, during the transition period from the old law to the new, special concessions were made to persons expecting longer aid under previous rulings. This exception was first limited to March 1, 1928, but was extended to July 30 of that year. It then expired. However, one-half to nearly four-fifths of the persons listed had received benefits for three months' time or less. Even when aid was extended for a year, the majority were assisted for less than six months. Comparatively few persons received benefits long enough to exhaust their claim. This is indicated by the figures below showing the number of persons whose claims to benefits were exhausted during the months specified.[a] They comprised from 1 to 10 per cent of the recipients of insurance.

Month Ending	Number of Persons
1927:	
November 15	20,358
December 15	18,332
1928:	
January 15	18,982
February 15	24,116
March 15	20,908
April 15	27,461
May 15	39,696
June 15	46,889
July 15	61,216
August 15	39,635
September 15 [b]	39,315

[a] *Statistische Beiläge zum Reichsarbeitsblatt*, December, 1927–October, 1928.

[b] Figures for October not available because of temporary disorganization resulting from inclusion of labor offices into the *Reichsanstalt* during that month.

Those who received emergency unemployment allowances were given this form of aid for the lengths of time indicated in the following table.

DURATION OF PAYMENT OF EMERGENCY UNEMPLOYMENT ALLOWANCES IN FIRST YEAR'S OPERATION OF THE ACT OF 1927 [a]

Month Ending	Total Number of Recipients	Percentage of Total in Receipt of Allowances for Specified Number of Weeks				
		13 or Less	Over 13 Through 26	Over 26 Through 39	Over 39 Through 52	Over 52
1927:						
November 15	126,215	44.7	20.7	18.1	16.5	—
December 15	171,657	58.0	15.0	12.6	10.7	3.7
1928:						
February 15 [b]	215,502	63.0	19.8	6.6	6.0	4.6
March.....	212,322	51.9	31.0	6.1	5.4	5.6
April 15.....	182,393	40.5	40.6	6.1	5.5	7.3
May 15.....	142,948	38.0	40.3	6.8	5.8	9.1
June 15.....	125,518	37.7	36.6	7.9	6.7	11.1
July 15.....	89,650	54.7	42.0	3.3	—	—
August 15...	80,895	59.2	37.4	3.4	—	—
September 15	82,356	59.4	34.8	5.1	0.7	—
October 15..	89,703	46.9	36.0	13.9	2.2	—

[a] *Statistische Beiläge zum Reichsarbeitsblatt*, December, 1927, to November, 1928.
[b] Data for January, 1928, were not published.

These recipients of emergency unemployment allowances were grouped into two classes: (a) those who had worked between 13 and 26 weeks during the previous year, and those who had exhausted their claim to standard benefits. Their distribution in these two classes is as follows: [10]

Month Ending	Number Not Meeting Requirements for Benefits	Number Having Exhausted Their Claims
1927:		
November 15	38,094	87,933
December 15	85,742	85,915
1928:		
January 15	144,418	83,862
February 15	147,100	68,402
March 15	147,168	65.154
April 15	123,460	58,933
May 15	88,543	54,405
June 15	70,086	55,432
July 15	48,311	41,339
August 15	34,966	45,929
September 15	31,138	51,218
October 15	30,901	58,502

[10] *Statistische Beiläge zum Reichsarbeitsblatt,* December, 1927–November, 1929.

II. Applications of Employees and Employers to the Exchange

The extent of unemployment in Germany is also indicated by statistics of applicants for work at placement offices. Data cover reports of the public exchanges and also, since January, 1923, those of the private, non-fee bureaus. The private, non-fee agencies played a larger rôle in Germany before the war than they do today. They comprise services established by employers, trade unions, and the public and private welfare bodies. Fee agencies are largely confined to placing certain types of women's labor. They are only required to make quarterly statements to the employment exchanges. Their placements are, therefore, not included within the monthly employment statistics. Placement by the public exchanges comprises the major proportion of such service rendered in Germany.[11] The present consolidation of the employment exchanges with unemployment insurance is expected to increase the volume of service rendered by the public exchanges and their relative importance in placement. The percentage of all jobs filled that are handled by the employment exchanges cannot be determined accurately.

Employment exchange data on applications for positions are of two types (a) the number of persons applying for positions at the middle and at the end of each month, and (b) the relation of applicants for work to positions registered. Most of the persons seeking jobs on specified days are unemployed. Only about 3 to 5 per cent are attempting to change their jobs.[12] A few are counted twice because they have registered at both the public and the private, non-fee exchanges. On the whole, however, these figures represent the bona fide unemployed. Their number is considerably greater than that of the recipients of unemployment relief. On the last working day of June, 1928, for example, 1,207,410 persons applied for positions at the employment exchanges. That month unemployment insurance was granted to 610,687 persons and emergency unemployment allowances to 113,595 others. About 80,000 more people were employed upon value-creating unemployment relief works. There remained about 400,000 applicants who were not assisted. Perhaps 10 per cent of them were employed. The rest had not fulfilled the requirements for insurance or had exhausted their claim.

Statistics of applicants to the public exchanges are published monthly in the *Reichsarbeitsblatt* and annually in the *Statistisches Jahrbuch für das Deutsche Reich*. More weight is attached for administrative purposes to the placement service's index of employment. This is the ratio of applicants to 100 jobs listed with the exchanges. Its value as a gauge of unemployment is relative, however, since the employer's use of the exchange differs in

[11] Comparison of the activity of public, non-fee private, and private fee agencies may be made by reference to the annual statistics of placement published in the *Statistisches Jahrbuch für das Deutsche Reich*.

[12] At the end of August, 1928, of 1,162,000 applicants to the employment exchanges, 90 per cent were unemployed, and 5.6 per cent were occupied on value-creating unemployment relief work, leaving only 4.4 per cent who were employed but were seeking other positions. *Reichsarbeitsmarkt-Anzeiger* No. 41, 1928, p. 10.

proportion to availability of labor, customs of the locality or industry, and policies of the exchange. Reports of the employment exchanges are now given according to occupational classification. It is, therefore, possible to determine seasonal variations in employment with greater accuracy than could be done prior to 1927.

III. Trade Union Unemployment Statistics

Trade union statistics are a third source of information concerning unemployment. Local bodies send reports monthly to trade union headquarters, which forward them to the Ministry of Labor. In 1920 the data on unemployment among trade unionists were based upon the reports of 35 national unions having about 5.5 million members, and, in 1927, upon 39 national unions with about 3 million members.[13] How representative these data are of the general situation in Germany is hard to determine. The trade union group undoubtedly has a more advantageous position than the unorganized. About three-fourths of the members are estimated to be skilled or semi-skilled workers. They probably experience a lower rate of unemployment than do the rest of the workers. They represented about one-fourth of the working population in 1920[14] and about one-seventh in 1927.[15]

The completeness of the trade union statistics is also difficult to determine. The data are much more reliable than American trade union experience would lead one to anticipate. The *Allgemeiner Deutscher Gewerkschaftsbund,* which is the largest federation of trade unions in Germany, compels locals to report. The central office can exert pressure on non-conforming locals through its right of expulsion. This power involves the recalcitrant member's loss of participation on legal bodies dealing with labor matters. Therefore the national organization believes that it commands a high rate of compliance. According to Dr. Wunderlich, reports in the last quarter of 1923 were obtained from 83 per cent of the paid membership.[16]

Trade union data on unemployment and partial employment are given in percentages of unemployment among their membership. These are published annually in the *Statistisches Jahrbuch für das Deutsche Reich.* The figures are not strictly comparable throughout the eight years shown. The data are reported according to members not fully employed and according to the amount of time lost weekly. Since January, 1926, the reports have not given the number of persons partially employed, but the total time lost through partial unemployment. Partial employment is listed in

[13] *Reichsarbeitsblatt,* 1920, pp. 25, 347; 1928, Pt. II, 143.

[14] The number of employed workers in Germany in 1920 was estimated as 19,250,000 by Dr. Wl. Woytinski in *Die Welt in Zahlen,* 2. Buch. *Die Arbeit.* p. 16.

[15] The number of employed or employable workers in Germany in 1927 was estimated as 21 million by Dr. Syrup, in *Arbeitsmarkt und Arbeitsmarktpolitik in Deutschland,* in 38. *Sonderheft zum Reichsarbeitsblatt,* p. 11.

[16] Wunderlich, Frieda, *Die Bekämpfung der Arbeitslosigkeit in Deutschland seit Beendigung des Krieges,* 1925, Fischer, Jena, p. 13.

four groups, showing loss of one to eight, nine to sixteen, seventeen to twenty-four, and twenty-five and more hours a week. The total amount of time lost is calculated by the number of hours at the mid-point of each group. This total is then divided by eight to give the number of days of unemployment. The result added to the data on total unemployment among trade union members gives the volume of unemployment for organized labor. The data on volume of unemployment are published as percentages of employment of every trade unionist for eight hours a day.

IV. Measures of Employment

Further evidence of the volume of unemployment is given by the measures of employment. Data on positions available at the employment exchanges show a rough inverse relationship to the curve of unemployment. Even more pronounced inverse relationship is found in the figures on employment among the members of the health insurance fund.[17] Employers are legally obligated to report to this fund employment or release of all persons who are required to insure in it. There is probably a high percentage of compliance. The data of the fund give the number of members in the firm and those who are released and hired. The local funds are required at the beginning and end of each month to report to the Ministry of Labor, their statistics giving the total number of employed and those hired or released during the month.

The figures until recently have not been gathered universally. They have merely been samples of employment conditions taken from various districts. They have usually been taken from communities that have had large health insurance funds. The result has been undue weight to the greater fluctuations of employment in the large cities. Today all funds are expected to report. It is not possible, however, to secure complete and immediate compliance from the health insurance fund. To eliminate the resulting inaccuracies, a chain index of health insurance figures has been adopted. Using January of each year as 100, percentages are based on the reports actually turned in for each month. These indices were first used in 1925, but were carried back retroactively to 1923. They are published in the *Statistisches Jahrbuch für das Deutsche Reich.*

[17] Numbering over 21 million persons in the summer of 1928.

APPENDIX B

EFFECT OF POPULATION CHANGES IN GERMANY UPON FUTURE LABOR SUPPLY

The war checked the growth of German population, through loss of men and through decrease in the birth rate. It is estimated that 2 million Germans were killed in the war, that 3 million fewer children were born, and that three-quarters of a million persons died in the hunger blockade of 1918.[1] The low birth and high death rate between 1915 and 1918 resulted in a continually increasing excess of deaths over births for that four-year period. The official population data are published in the *Statistisches Jahrbuch für das Deutsche Reich.*

However, the German population was prolific before 1914. In the half century before the war the birth rate was high and the death rate constantly decreased. In 1871 the birth rate was 34.5 per thousand of population; from 1874 to 1877 it exceeded 40 per thousand. In 1880 it was 38.9, and in 1890 it was 35.7 per thousand. During the nineties and the first decade of the twentieth century it declined slightly. Around 1910 it stood at about 30 per thousand. In five of the years between 1900 and 1910 there were over 2 million living births per year. In that decade the population increased from 56 to 64 million. Between 1910 and 1914 over 3 million more were added.

While the total German population decreased between 1914 and 1925, it is difficult to estimate the change in numbers of employable persons. Of the 2 million persons killed in the war, about 1,950,000 were men between the ages of 18 and 40. An additional 722,000 soldiers were so badly injured that they were entitled to special compensation. Many of them found return to industry impossible. The high pre-war birth rate, however, added employable persons from the younger age groups. Applicants for work were therefore numerous in spite of war losses in man power. The war also increased the existing excess of females over males. In 1910 there were 800,000 more German women than men. In 1925 the difference had become 2,100,000.

Of the 3 million children unborn because of the war, two and a quarter million would probably have entered the labor market at the age of 14. The decrease in 14-year-old persons going to work was expected to be evident between 1929 and 1933. The estimated decrease[2] in the number

[1] These figures are quite generally accepted in Germany. They are used by Dr. Syrup in *Arbeitsmarkt und Arbeitsmarktpolitik in Deutschland*, 38 *Sonderheft zum Reichsarbeitsblatt*, p. 8.

[2] *Reichsarbeitsblatt*, No. 44, 1925, Pt. II, p. 716.

of juveniles entering employment at the age of 14 is as follows, for the years 1929-1933:

Year	Estimated Decrease
1929	80,000
1930	500,000
1931	570,000
1932	640,000
1933	590,000
Total	2,380,000

These calculations are made on the basis of the records of children enrolled in the *Volksschule* or intending to enter it. Practically all pupils are graduated from this school at the age of 14 and go to work or enter an apprenticeship immediately thereafter. The school estimates[3] of the number of children graduated each spring from the *Volkschule* and expected to go to work each spring, for the years 1928-1933, are as follows:

Year of Graduation	Number of Children
1928	1,293,900
1929	1,210,528
1930	793,023
1931	717,431
1932	650,903
1933	696,637
1934	1,311,475
1935	1,270,537

Attempt has also been made to predict the occupational distribution of this shortage of juvenile labor. Calculation has been made on the basis of the 1925 census. The table on page 126 shows a marked reduction amounting to almost 50 per cent decrease in juvenile labor by 1932. The two groups, agriculture and industry, experience the greatest numerical loss because they employ the largest number of juveniles.

More permanent effects upon the future population in Germany are anticipated in the post-war decrease in the birth rate.[4] These population changes lead some to believe that the high rate of unemployment is relatively temporary. Others contend that German population is far too great for the resources of the country and that the slight decrease in the birth rate is counterbalanced by the increasing longevity. The development of technical processes and the "rationalization" of industry are also expected

[3] *Reichsarbeitsblatt,* No. 44, 1925, Pt. II, p. 716.

[4] In 1925 the German birth rate was "close to the desired French limitation." ("*Der Arbeitsmarkt und die Bevölkerung*" in *Der öffentliche Arbeitsnachweis,* April, 1927, pp. 25-38.) There has been a slight upward tendency, however, since 1925.

to exercise such a change upon the labor market that even a declining population may experience unemployment.[5]

Occupational Distribution of Juveniles Aged 14 According to Census Enumeration of 1925 and Estimates for 1928–1940 [a]

(In thousands)

I. MALES

Year	Total Juveniles Aged 14	Agriculture and Forestry	Industry and Manufacture	Trade and Commerce	Clerical and other Office Work	Health Activities	Domestic Service	Total Employed	Unemployed (in school and unemployable)
1925	644.9	146.5	269.1	39.1	4.1	3.9	4.5	467.2	177.7
1928	620.8	141.0	259.0	37.7	4.0	3.7	4.3	449.7	171.1
1929	587.6	133.5	245.1	35.7	3.8	3.5	4.1	425.7	161.9
1930	385.0	87.4	160.6	23.4	2.5	2.3	2.7	278.9	106.1
1931	337.4	76.6	140.8	20.5	2.1	2.0	2.4	244.4	93.0
1932	307.4	69.8	128.2	18.7	2.0	1.8	2.2	222.7	84.7
1933	337.8	76.7	140.9	20.5	2.2	2.0	2.4	244.7	93.1
1934	633.5	143.8	264.3	38.5	4.1	3.8	4.4	458.9	174.6
1935	628.0	142.6	262.0	38.1	4.0	3.8	4.4	454.9	173.1
1936	604.6	137.3	252.3	36.7	3.9	3.6	4.2	438.0	166.6
1937	574.8	130.5	239.7	35.0	3.6	3.4	4.0	416.2	158.6
1938	544.7	123.6	227.1	33.2	3.4	3.2	3.8	394.3	150.4
1939	565.9	128.5	236.1	34.3	3.6	3.4	4.0	409.9	156.0
1940	545.1	123.8	227.4	33.1	3.5	3.3	3.8	394.9	150.2

II. FEMALES

1925	628.1	154.8	77.9	35.0	1.9	3.1	53.7	326.4	301.7
1928	610.3	150.5	75.7	34.0	1.8	3.0	52.2	317.2	293.1
1929	578.5	142.6	71.7	32.2	1.7	2.9	49.5	300.6	277.9
1930	377.1	93.0	46.8	21.0	1.1	1.8	32.3	196.0	181.1
1931	328.4	81.0	40.7	18.3	1.0	1.6	28.1	170.7	157.7
1932	298.6	73.6	37.0	16.6	0.9	1.5	25.6	155.2	143.4
1933	327.5	80.8	40.6	18.2	1.0	1.6	28.0	170.2	157.3
1934	612.4	151.0	76.0	34.1	1.8	3.0	52.4	318.3	294.1
1935	609.3	150.2	75.6	33.9	1.8	3.0	52.2	316.7	292.6
1936	588.7	145.1	73.0	32.8	1.8	2.9	50.4	306.0	282.7
1937	556.6	137.5	69.0	31.2	1.7	2.7	47.3	289.4	267.2
1938	524.1	129.5	65.0	29.3	1.6	2.6	44.5	272.5	251.6
1939	545.8	134.5	67.7	30.4	1.6	2.7	46.7	283.6	262.2
1940	526.0	129.7	65.2	29.3	1.6	2.6	45.0	273.4	252.6

[a] From official records of Ministry of Labor.

[5] Answer is made to this contention that a program of rationalization must include attention to the buying power of the population. It is held that the home market is, in the last analysis, the best place for the disposal of goods and that high wages must accompany increase in productivity. This latter argument finds perhaps its greatest advocates among the trade unions.

APPENDIX C

TRANSLATIONS OF GERMAN ORDERS AND ACTS DEALING WITH UNEMPLOYMENT

English translations of German orders and laws dealing with unemployment are published by the International Labour Office at Geneva, Switzerland. These include the *Employment Exchanges Act of 1922;* the *Productive Unemployment Relief Orders of 1923;* the *Unemployment Relief Orders of February, 1924;* and the *Employment Exchanges and Unemployment Insurance Act of 1927.* Copies of these transulations may be secured upon application to the International Labour Office headquarters in Geneva or the branch office in Washington, D. C.

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The following bibliography is not intended to be comprehensive. It has seemed to the writer more important to indicate a few of the outstanding books in the fields related to the subject than to present an exhaustive bibliography. The former policy seems of more practical value and certainly less discouraging to a person seeking to understand the major trends in a foreign country which uses a language different from his own. The sources given lead those who wish to pursue the subject further to other material. Moreover, fairly exhaustive bibliographies are available. The International Labour Office has issued one which, it is to be hoped, will be continually brought up to date. Another has been privately collected by the Industrial Relations Counselors, Incorporated, of New York City.

Similarly, periodical material in this field is plentiful. A list of a few of the outstanding German periodicals representing different points of view and carrying frequent articles on the subject would therefore seem to be of value to American readers. For those wishing more detailed guidance to periodicals and books on German unemployment insurance, attention is called to the bibliographies published regularly in the *Reichsarbeitsblatt*.

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Der öffentliche Arbeitsnachweis, Stuttgart, Kohlhammer.

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Die Arbeiterversorgung, Berlin, Tröschel.

Gewerksschafts-Zeitung, weekly organ of the General Federation of Trade Unions, Verlaggesellschaft des *Allgemeinen Deutschen Gewerkschaftsbundes, G.m.b.H.*, Berlin.

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